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Indefatigable Helmsman

Dark Horse in the Asian Race

Merrily to Market

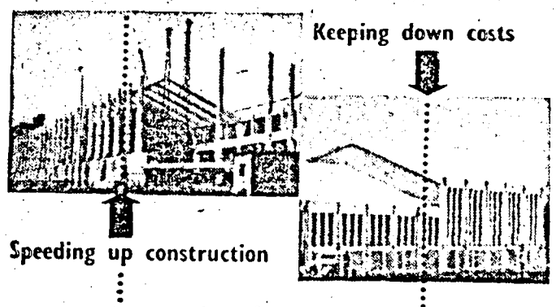
Knife-Edge in North Africa

Funding or Forcing Bid?

Rayon Grows Rich

AMERICAN SURVEY: Washington Weekend
THE WORLD OVERSEAS: Italy Between Left and Right
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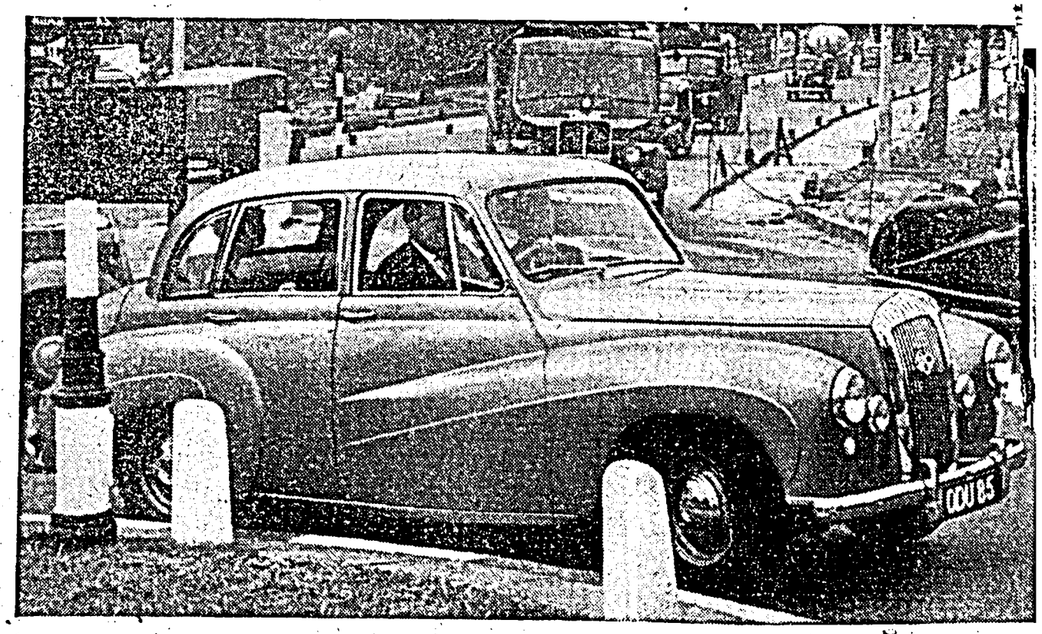
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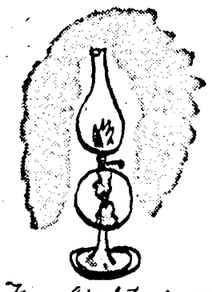
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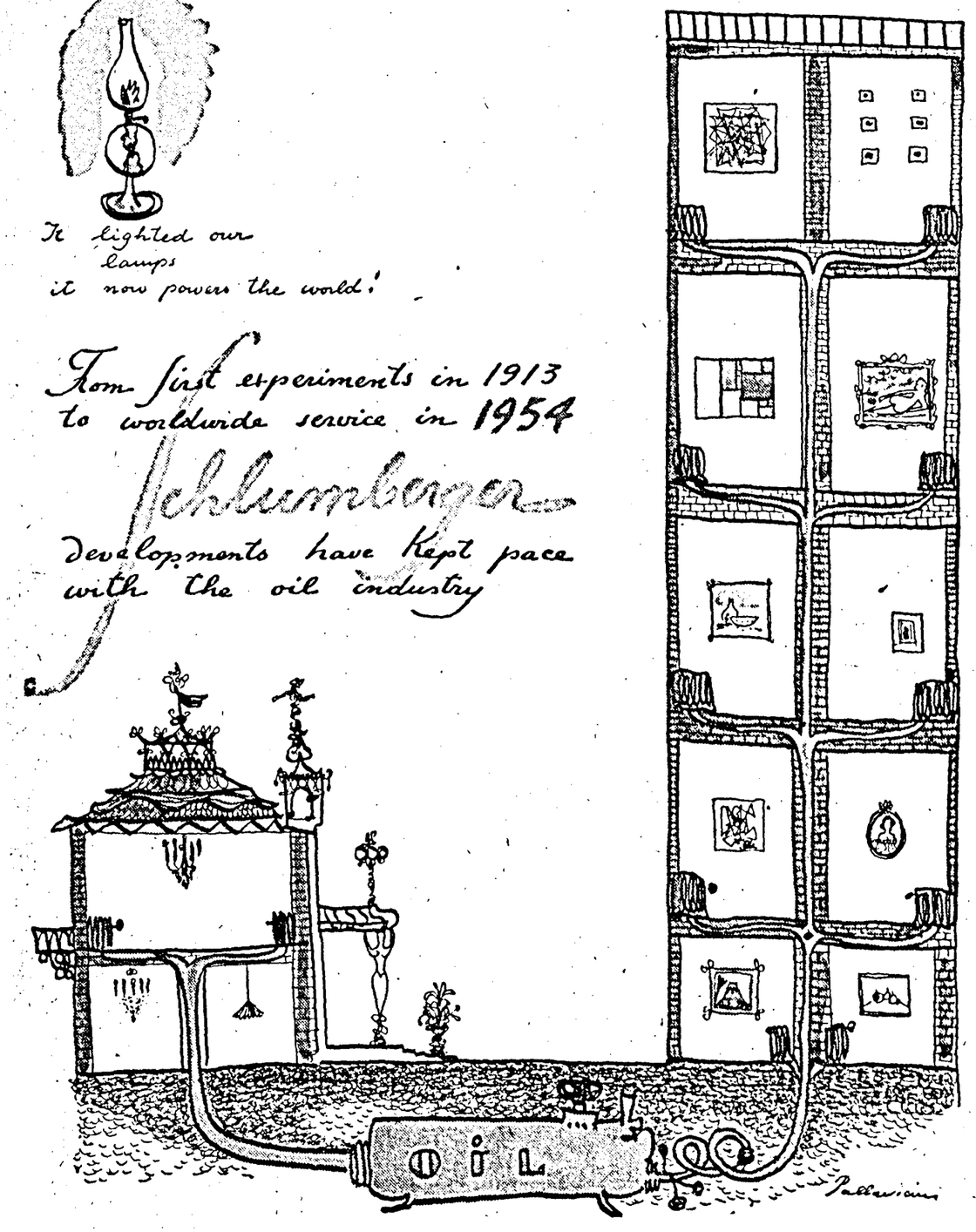
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Indefatigable Helmsman 95
Dark Horse in the Asian Race . . 97
Merrily to Market 98
Knife-Edge in North Africa . . . 100

NOTES OF THE WEEK

Warnings to France; Return to Geneva; Withdrawal in the Delta; Strategy for Scarborough; Rise by Another Name; Information Withheld; The Hot Seat; Trading in an Open World; Russian Shockers; Dr Cort's Liberty; Civil or Military Defence?; Confusion in Kenya; Canute at Uno; South Africa's Buoyant Moment; Obscenity at the Old Bailey; General Practice Surveyed Again; "Disinformation"; Prison for Psychopaths. 102

LETTERS TO THE EDITOR 112
BOOKS AND PUBLICATIONS . . . 113

AMERICAN SURVEY

Washington Weekend 117
On the Right Farm Road; Banana Split; Political Dividends; Short-Circuiting McCarthy; Who Wants Machine Tools?; Repairing the Slums; Shorter Notes.

THE WORLD OVERSEAS

Italy Between Left and Right . . 123
EDC and the French Party Puzzle; State Enterprise in Backward Areas; Canalising the Moselle; Culture and Propaganda; Big Ruhr and "Little Ruhr."

THE BUSINESS WORLD

Funding or Forcing Bid? 131
Rayon Grows Rich 133

BUSINESS NOTES

Bull at Large; Reserves in Good Stead; Repaying the EPU Debt; No Excuses About Coal; Westminster Dividend Raised; New Tints for Rio Tinto; Savoy Medley; Peak Demand for Steel; Ferguson Quits Farming; Profits from Films; The Pace of Denationalisation; Gem Diamonds in Demand; Questions about Options; For this Relief Much Thanks; The Last Development Council; New Ideas in Diesels; Marchon Moves On; Wool Sales Quiet; Half Year of Capital Issues. 135

COMPANY NOTES AND SECURITY PRICES 146
STATISTICS 149

British Insurance
FOLLOWING PAGE 126

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Indefatigable Helmsman

SIR WINSTON CHURCHILL, eighty years young next November, has changed the pattern of rumours about his retirement by the robustness of his latest intervention in world affairs and by what the whole country delightedly hopes is a return to his rudest health. Until two months ago it was widely believed that he might abdicate, either from the office of Prime Minister or from office altogether, immediately after the Queen's return from her world tour. Today, after his visit to Washington, the most prevalent rumour is that he will remain at the helm until well into next year, and will time his retirement to give Mr Eden several months' experience of the premiership before the general election that is expected either in the autumn of 1955 or in the spring of 1956.

This rumour may prove as false as its predecessor; the plain fact is that nobody knows—probably not even Sir Winston himself. But its currency is likely to revive a delicate controversy that was raging a few months ago. Anybody who returns to this controversy anew, or rather brings it down from the backstairs into the open, should recognise two facts. First, Sir Winston is not merely venerated; he is beloved. Secondly, his presence still raises Britain's prestige abroad as that of no other politician could do. It is only after these points have been recognised that the controversial issue should be faced: the question whether a change in the system—which is not the same thing as a change in the fact—of his personal leadership should not be made to ensure smoother conduct of Britain's foreign and domestic affairs.

The controversy about his role in foreign affairs has lost a great deal of its force—though possibly not for the happiest of reasons. At the beginning of this year it was widely assumed that Sir Winston was staying in office only under the impulse of his belief that, "because of certain things that have happened," he was in a unique position to improve western relations with Russia. It was right to give warning at that time that his endeavours for such improvement might lead merely to an exacerbation of Britain's relations with America. As a consequence of the Geneva conference, however, Sir Winston's designated successor is now (according to differing viewpoints) either surrounded with the same halo or tarred with the same brush. Nobody can now believe that Sir Winston's disappearance from the scene would weaken the force behind British striving for a policy of peaceful coexistence with Russia; the only thing that would be altered would be that the country would lose the services of the one man who is best fitted to reassure the Americans that calculated coexistence and craven appeasement are two different things. His greatness has once again become indispensable—provided it is not that particular facet of his greatness that he showed in May of last year.

There remains, then, the controversy about his mode of conducting home affairs. Here again it is his greatness that can sometimes be an inconvenience—because the modern system of British cabinet

government is not attuned to such a quality in a Prime Minister. It has not often had to put up with it, during peacetime, in the recent past. The main problem that has arisen can be simply stated: as a result of the pre-eminence of Sir Winston and Mr Eden in the government, and of their primary interest in foreign affairs, there is mounting evidence that the flow of domestic policy is now subjected to a serious bottleneck at cabinet level.

It is easy to understand how this bottleneck has arisen. Most measures of domestic policy are worked up to what is intended to be a final form either by the Minister directly concerned or under the aegis of some cabinet committee; the major measures often come before a committee of which Mr Butler, the third principal figure in the government, is chairman. The completed drafts are then presented to the cabinet; it seems to be a major difference between the Conservative and Labour governments that it is usually only at this stage, or immediately before it (or even, sometimes, quite a long time after it), that the Prime Minister has time to become really interested in the matter on hand. He often has his own contribution to make; since cabinet meetings may also tend to be occasions when Sir Winston dilates about his views on the world situation at large, it is not surprising that the timetable sometimes lags badly. There is a story that when Conservative ministers emerge from a cabinet meeting they remark to each other what a great man their leader is; when Labour ministers came out of cabinet, they remarked to each other what a lot of work they had got through. This is the difference between government by a Demosthenes and government by a doodler; it has its costs no less than its inspiration.

★

The costs of the present system have now become so manifest that they should no longer be withheld from public comment. It is no secret that the draft scheme for reorganisation of the railways, to take only one example, has been ready for months; but the cabinet has apparently not yet had time to approve it. The stories about ministers below cabinet rank, or of service chiefs, who have wasted long hours in the waiting room at 10 Downing Street only to find that the cabinet cannot reach the matter for which they have been summoned, have become too numerous to be wholly without substance. Above all, the pile-up of measures which the cabinet has not discussed sufficiently fully to reach united and convinced agreement has paved the way to what Labour calls government by the 1922 committee. The troubles about MPs' pay, about food and drugs, about development councils, and about teachers' pensions seem to have been partly due to the fact that cabinet meetings tend to be occasions for lengthy dissertations rather than for crisp progress towards detailed decision.

A further backlog of business that has arisen because of Sir Winston's preoccupations and predilections concerns the personal position of individual ministers. It is widely believed that Sir Walter Monckton wishes to return to the bar, or ascend to the bench; that Mr Lyttelton wishes to return to industry; that Lord Woolton wishes to retire both from his ministry and the chairmanship of the Conservative Party (where his most likely successor is Mr Malcolm McCorquodale); and that various other ministers (not to mention civil servants) may be ready or ripe for retirement from office. Inevitably Sir Winston's tendency, amid the rush of other business, has been to resist disturbance of the familiar faces around him as long as possible; equally inevitably, this has caused unrest among juniors who, in normal circumstances, would already have received promotion.

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These difficulties should not be exaggerated. The government of Britain is not at a standstill. It is merely proceeding, in certain sectors, in rather uneven jumps. The remedies require thought. One obvious need is that the now inevitable re-shuffle of ministers should be made at the earliest moment. Another might well be that there should be a greater devolution of effective authority to cabinet committees. This might involve the elevation of some senior minister to a co-ordinating role over non-Treasury and non-Foreign Office matters, such as Mr Morrison filled when he was Labour's Lord President of the Council. The machinery of government moved most smoothly (although sometimes, admittedly, in the wrong direction) in the days of the Labour triumvirate, when the principal problems were sifted up to Mr Attlee through cabinet committees headed by Mr Morrison, Mr Bevin and Sir Stafford Cripps. In addition, it is important that any changes made now should look beyond the present to the day of Sir Winston's retirement; it would be a pity if the trend of events led Mr Eden, after his accession, to devote less time than is needed to co-ordination and more than he should to breathing down the neck of his successor at the Foreign Office (who will presumably be Mr Macmillan).

These are flexible principles, but the problems they are designed to solve are solid enough. It is time for Sir Winston's well-wishers to face up to them; otherwise the opportunity will be seized by those whose real reasons for chivvying him are an envious delight in belittlement. This is a time for greatness in the conduct of Britain's affairs; and Sir Winston, so long as he feels able to continue to carry the flag, is the one Briton who can readily provide it. There will therefore be general rejoicing if his robust performance in Washington can be read as a refutation of rumours of ailing strength, as another intimation of the immortality in which so many would like to believe. But the Wordsworthian analogy must end there. To those who regard the system of conduct of affairs that has grown up in his shadow, one thing is plain: it is no heaven that lies around him in his old age.

Dark Horse in the Asian Race

A DANGEROUS illusion has shown itself, among both political leaders and public, during the Anglo-American altercations of recent weeks. The problems of South East Asia have been discussed, and attitudes toward them taken up, on the assumption that only two serious alternative policies are in the running —a tightly knotted Nato-type defence pact ("Seato"), and a broader system of general guarantees of a new settlement ("Locarno"). This is a double mistake. First, these two are not alternatives; they are two aspects of the same policy. Second, they ignore the real alternative to any western policy. There is another horse in this race. This is the Chinese proposal that the peace of Asia should be maintained solely by the Asian states themselves, through "the assumption of mutual obligations."

Chou En-lai publicly unveiled this plan at the very beginning of the Geneva conference; and it was heartily endorsed by Molotov a few days later. It is, indeed, almost a carbon copy of the plan for Europe which Molotov had laid before the Berlin conference. The central aim of these twin projects is to squeeze the United States out of both Europe and Asia, which would be left under the benign leadership of the strongest power in each continent: in Europe, Russia, and in Asia, China.

The Molotov plan was received with understandable coolness by the free nations of Europe; but Chou En-lai's ideas are much more appealing to Asian eyes. There is a very real attraction, for the most sincerely democratic Asian, in the suggestion that his continent should at last have complete control of its own affairs, without any interference from the West. Chou's plan is further evidence of the skill with which the Communists have sought to identify their cause with the embedded anti-western feeling of Asia as a whole. It implies the eventual exclusion of all white influence from southern and south-eastern Asia, and naturally from Japan and the islands as well. A faint fragrance of cultural *présence* would be left to mollify France in Indo-China, and doubtless other western nations would be awarded similar consolations, but Asian solidarity would be mustered against any "intervention" by outsiders, such as a United Nations operation to defend, say, Siam from aggression.

On the surface, the Chinese do not appear to be asking their neighbours for any binding commitments to action. On the contrary, their talk is all of non-interference, non-aggression and peaceful co-existence —words which were written into their agreement with India about Tibet, and which carry a seductive echo of Gandhian ideals. The contrast could not be more striking between these gentle cadences and the firm demands for pledges of armed action made by the champions of a "Seato" pact. Only the most far-sighted Asian can be expected to see that, once his continent had sealed itself off from the rest of the world by falling in with Chou En-lai's plan, it would be merely a question of time before "peaceful co-existence" came to mean automatic acceptance of China's leadership, and obedient yielding to successive Chinese demands. For the rest, the simple slogan "Asia for the Asians" has a hypnotic brightness, and the concept of a "Mao Doctrine" a certain logic.

This does not add up to an argument against a South East Asia defence pact. In the event of foreign aggression against Siam, Burma or any other sovereign state in the region, members of the United Nations are, in any case, already under a moral obligation to go to the aid of the victim; and the western governments would be guilty of ignoring the glaring danger signals of the present situation if they failed to make any preparation against such an event. But the presence in the field of Chou En-lai's challenger makes it clear that a Seato pact would not by itself suffice to check the Communist advance in the Far East. The Communist challenge is political as well as military; and a Seato that embraced Siam alone of the Asian mainland states would not be a complete answer even to the military problem. The Colombo group of nations, faced with only two positive courses—membership of a tightly knit, western-led defence pact on the one hand, and, on the other, an apparently harmless acceptance of "peaceful co-existence" as proffered by Chou—would be more strongly tempted than ever to choose the less active and more Asian alternative. And that could mean disaster for the free nations' hopes of stemming the tide of Communism in the east.

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It is this strength of the "Asia for the Asians" feeling, and the ability of the Chinese Communists to play upon it, that represents the real challenge that western policy has to meet—and if one merit can be claimed for British diplomacy in these recent unfortunate weeks, it is that it has seen the challenge more clearly than the Americans have done and has at least made gestures towards meeting it. What Mr Eden is attempting to do is to provide a bridge between Washington and Delhi, to create a set of relationships in South East Asia that will not lose for the purposes of peace and stability the support of either extreme pole of the free world. This involves convincing the Indians (and those other Asians who think with them) that it is necessary to draw lines, to guarantee them and to put teeth into the guarantees. This, clearly to British eyes, is what Mr Eden meant when he used the word "Locarno."

So far from meaning appeasement, he meant, as Sir Winston Churchill explained to the American press, that everybody should promise to resist an aggressor. The other side of the medal is the need to convince the Americans that a common front against aggression will be infinitely less offensive to Asian minds, and is needed fully as much as, a military alliance mainly composed of Europeans specifically created for defence against China.

The attempt to build the bridge may fail. Nobody can be sure that only one more act of Communist aggression in Asia is needed to convince the Indians of the dangers of neutralism. They may be unwilling to give any promises of solidarity even against unnamed aggression. Nor, evidently, is it possible to rely on reasonable moderation in Washington, so long as Senator Knowland is allowed to run away with the Administration's foreign policy. Sir Winston Churchill and Mr Eden may have succeeded in convincing the President and the Secretary of State that they are not bent on appeasement or surrender in Asia, but only on mobilising the widest possible degree of resistance to further aggression. But there is that other American suspicion remaining, expressed in Mr Dulles's much-quoted remark about British policy being subject to a veto from Delhi. It would be as well to be quite clear about this. There is, and can be, no Indian veto on British actions. If, in the end, it becomes clear that the bridge cannot be built, that we cannot walk with the Americans without offending Mr Nehru, or keep Mr Nehru in camp without outraging the Americans—if, in a word, we have to make a choice between them, there cannot be a moment's hesitation about it. Blood is thicker than water; and these small islands cannot survive without friends more powerful than they can find in New Delhi. Both in Washington and in India it will help towards a reasonable frame of mind for this to be made known beyond any mistaking.

But things have not yet come to that pass, and it must be hoped that they will not. In the meantime it is surely right, and infinitely worth while, to make the effort to build the bridge that will hold the free world together. And that involves taking very seriously Chou En-lai's programme for Asia. The true alternatives are not Seato or Locarno. These are both parts of a larger whole, which is essential to the peace and security of Asia. The real and menacing alternative is the severing of the links between the free nations of the west and of Asia, and the steady absorption of the latter into the Chinese orbit. It is hard to believe that either Senator Knowland or Mr Nehru really wants that.

Merrily to Market

THE end of meat rationing has been marked by modest jubilations, considerable confusion, and a burst of high prices. There were a few ceremonial burnings of ration books by Conservative Associations, although in one borough (Labour-controlled) the streets and planning committee decided that such orgiastic behaviour might cause a public nuisance. There was a nice old-world touch in the cooking of two whole lambs over a spit at a Welsh hotel. But, on the whole, the public accepted its release from the ration book with no more than a sedate curiosity.

It has been the auction markets that have supplied colour and drama to the occasion. The sharp rise, and then fluctuations, in prices, the pile-up of stock, the shouting and the pandemonium have been grist to all those protagonists (the farmers' leaders included) who insist on equating free marketing with chaos. Confusion in real measure there has certainly been—part of it due to the inexperience of butchers, farmers and auctioneers, part to the delays in the public provision of the necessary facilities. The local authorities have complained that they have not the powers to ensure adequate slaughtering. The Government, for its part, has missed a golden opportunity of concentrating slaughtering at key centres, and of overhauling market facilities, before the trade hardens into a pattern that will make improvement difficult.

But most of the seeming chaos at Smithfield and elsewhere is no more than skin-deep. The public and many participants in the auctions have forgotten, through fifteen years of regimentation, the ABC of market behaviour. This is shown by the behaviour of prices. During the last weeks of control, farmers, stirred by the alarums of their union, tried to sell more stock to the Ministry of Food than it could accept. Their surprise was considerable when the first auctions yielded prices that were generally higher than the Ministry had paid. For best quality meat, as had been expected, they were very much higher; at one period at Smithfield on Monday they reached fantastic heights. But it quickly became clear that many butchers had greatly overestimated the zeal of housewives for fresh red meat. Once the market settles down, it is still reasonable to suppose that average prices will not be much higher than they were under control—although best quality meat will still be more expensive and lower quality meat cheaper. The consumer will at last be able to suit his purchases to his taste and his pocket.

It is inevitable that this should send up the cry of rump steak for the rich and scrag-end for the poor; interpreted, this means that for the first time in years quality counts. The slogan gets what appeal it has from an English idea, born of decades of bad cooking reinforced by fifteen years of rationing, that it is wrong to eat well. Certainly there are few families in this country who cannot afford to buy good meat if they prefer it to alternative luxuries; and it is wholesome and right that they should be given the option.

The most important point to watch in the past week has not been the flurry of prices, but the way in which the marketing system has worked. The farmers' acquiescence in the restoration of the auctions was won only by the promise to underpin them with a complicated system of government guarantees; and at the same time the National Farmers' Union set out to develop alternative market channels of its own. The farmers' company thus formed, the Fatstock Marketing Corporation, has been operating this week on a large scale. It has a virtual monopoly of the sale of bacon pigs; it controls about one-fifth of the country's supplies of fresh meat; its turnover in the first week of freedom was £2½ million.

The pigs are the test case. Surprisingly, pig production has become, next to milk, the largest (and certainly the most profitable) branch of British agriculture. The value of pig sales last year exceeded the combined sales of cattle and sheep. Equally the cost of the pig guarantee (at £48 million) was, apart from milk, the Exchequer's largest liability. Pig marketing is also the field in which producer control is most eagerly sought.

★

The complexity of the problem can best be gauged by following three little pigs to market, along their divergent routes.

The first pig is consigned to the auctions. It will usually pay the farmer to breed for quality and to study the market, since the price he gets is the actual price realised, plus a 25 per cent bonus added by the Government (the rate of bonus can be varied periodically). If, however, the pig is of poor quality or the market is slack, this incentive is removed because the farmer is guaranteed a minimum price for his pig, even if this entails a larger subsidy than the percentage bonus.

The second pig goes to the bacon factory. In this case, the farmer is normally relieved of all marketing worries. The Fatstock Marketing Corporation will pay him a fixed price—which includes the percentage bonus and a further quality bonus, both paid by the Government—and will collect and transport the pig for a standard charge. For most bacon pigs the farmer will get a better price than the Ministry paid him, although there are sharp cuts for pigs of the wrong weight.

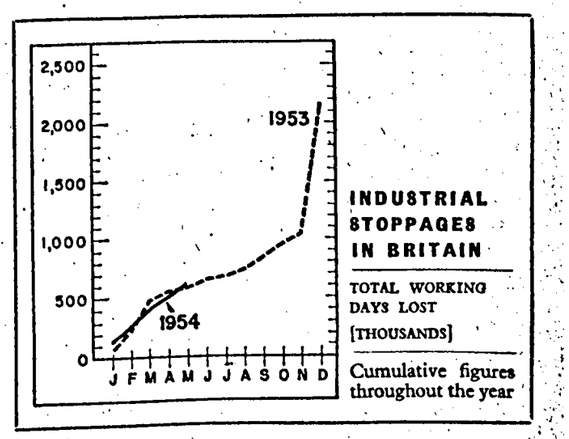
The third pig is sold direct to a butcher, is certified by a Ministry of Food inspector, and is paid for on a dead-weight basis, to which is later added the average subsidy paid that week at auctions on pigs of similar weight.

These complicated arrangements are suiting the farmers well enough; but they give rise to two awkward questions. First, why should the taxpayer underwrite pig prices so comprehensively? The idea of the percentage bonus was the laudable one of encouraging quality; but what possible need is there to make additional payments to inferior pigs (or indeed to subsidise such pigs at all)? Again, it ought not to be necessary to subsidise prices to a higher level than the old guaranteed prices. So costly a scheme cannot hope to be retained.

Secondly, what limits should be put to the growth of producers' monopolies? This problem is emerging as a much more serious one than the old bogey of monopolistic manœuvres by dealers against producers—the so-called auction rings. All the principal bacon curers, controlling 95 per cent of curing capacity, have agreed to buy their pigs exclusively from the National Fatstock Corporation. The corporation's success is based partly at least on commercial factors—on the ability to guarantee the curers a steady throughput and to get low transport costs for mass handling. By securing surprisingly favourable prices for producers, it will help to cut the cost of the pig guarantee. No doubt it is this factor that has led the Ministry of Food to sanction arrangements that would (or should) shock the Monopolies Commission to the core.

There are broader issues at stake than the fate of bacon pigs. It is the aim of the National Farmers' Union to extend producers' control from bacon pigs to pork pigs (on the argument that the two sections of the market ought not to be separated), and from there to the marketing of cattle and sheep. The fatstock marketing scheme that the union has placed before the Government is a further step in this direction. It should be decisively halted. It has not got the united support of producers; some of them are organising opposition to it. Nothing but good can come out of the competition now going on between the auction markets and the farmers' company. Nothing but harm could come of weighting the issue in the latter's favour or stamping monopoly control over the whole range of fatstock marketing.

These considerations may seem remote to the bucolic throng of butchers, farmers and auctioneers who this week are scratching their heads over some ancient puzzles. But they are really the core of the problem. Excessive subsidisation could clog up the mechanism of a free market, while monopoly control would bring it to a complete halt. In the rejoicing at the return to consumer's freedom, these dangers should not be overlooked.



Knife-Edge in North Africa

WHEN M. Mendès-France came to power two weeks ago he gave himself a month in which to reach a settlement in Indo-China. He left the world to infer that only if he were successful there would he subsequently be handling France's urgent problems in other overseas territories. His month is not up until July 20th; but he has been obliged, during its busy course, to make time to consider the affairs of Tunisia and Morocco.

The French Residents-General in both territories have been summoned home, and each has had a sorry tale to tell. Violence is on the increase in both protectorates; and its victims, particularly in Tunisia, have included those who favour working with France. Physical nervousness is therefore growing, the Bey's cabinet has resigned and the prospects of its immediate replacement are not bright. Confronted with rebellion, M. Mendès-France has taken the only possible short-term decision and has reinforced the French garrisons in both territories. But all his instincts are against taking this negative action without simultaneously preparing political proposals; work upon these is not now to wait until July 21st. The whole western world must hope that these drafts are hammered into a resolute and effective policy, for upon them hangs the security of territories full of Nato bases and sited only a few hundred miles from Europe's vulnerable underbelly. If M. Mendès-France should fall because he fails in Indo-China, it will be at the hands of opponents ill-disposed towards his liberal ideas on North Africa, and any successor cabinet is almost bound to be less well placed than he for negotiating with two restless and nationalistic protectorates.



Naturally, all dissident souls in both territories have watched with interest the train of events in Indo-China. If fellow nationalists are extracting liberty and equality from Paris by physical means, why should not North Africans try the recipe? In Tunisia, attacks of Mau Mau pattern upon lonely farms were at first written off as the work of classic desert raiders (*fellaghas*); but they are now recognised as the handiwork of a small and loose-knit but cohesive "army of liberation" drawing on Egypt for anti-colonial slogans and on American and British dumps in Libya for stolen arms. These activities are easier to contend with than a newer development—hit-and-run raids perpetrated in the neat suburbs of Tunis by young men equipped with taxis and sten guns from which bullets are sprayed at groups thought to include "collaborators" with France. In Morocco, though the countryside is quiet, attacks in the towns have been proceeding steadily for months, directed against conservative Moroccans such as the Sultan and the Pasha of Marrakech, and also against prominent Frenchmen.

There is a tendency in public opinion in France itself to favour the notion that all this upset is not native to North Africa, but is entirely due to "foreign influences." Many Frenchmen find the thought soothing because there is enough truth in it to render it plausible; but it rests on the wholly false assumption that it would be possible for a territory on a mainstream of world communications to live in a state of insulated beatitude. Of course, foreign influences have had their effect upon North Africans who receive invasions, and travel abroad, and listen to the radio; ideas have successively reached them from British sponsors of Syrian independence, from the American apostles of anti-colonialism who landed on their beaches, from the Arab League in Cairo, from the caucus of Asian and African states at the United Nations, from General Franco speaking with a Spanish Moroccan accent, and in the news from Asia dispersed by countless foreign radio stations, including Paris radio and the BBC. The latest foreign addition to this galaxy of influences is a station, said to be Radio Budapest, which has this month started broadcasting on four wave-lengths at the peak café listening hour, and calling "all Tunisian, Algerian and Moroccan patriots whose sons are today rotting in the gaols of imperialism."

But it is a delusion to suppose that North African nationalism has been nurtured only on foreign foodstuffs; ingredients just as potent reach it from France. Of these, the basic one is the modern clash between two pieces of policy that worked well in the first generation, but which today produce results that do not dovetail. Beginning in 1830 in Algeria, in 1881 in Tunisia and in 1912 in Morocco, France fertilised North Africa by populating it with Frenchmen who have by hard work, technical skill and considerable investment made it, and shown North Africans how to go on making it, well-educated, well-run, and relatively prosperous—at least by the standards of the Arab world. Frenchmen have earned and enjoyed a comfortable share of this prosperity, but, the better to do so, they have tended to gather the reins of power into their own experienced hands. It is only right to add that they have also used the revenue thus created to educate the North Africans.

By the 1950s the twin policies have matured to produce a head-on clash between Frenchmen resident in Africa and Africans who are being minted out for roles that those Frenchmen still aspire to fill. For years, division of opinion in France about how to meet this problem has encouraged its growth, for uncertainty has led, in coalition cabinet after coalition cabinet, to hopeless imprecision about what to do next, and to a see-saw policy swinging now towards concession to the nationalists, now towards repression in response to the demands of French diehards—pull devil, pull baker. The essence of the North African problem, therefore, is domestic; outside influences have merely sharpened native edges. That problem is how far the effort of European settlers entitles them to a permanent share in the management of sovereign protectorates. Both Tunisians and Moroccans refuse to contemplate co-sovereignty, which is what most North African Frenchmen would like. Can the men involved negotiate some form of government in which these Frenchmen have rights that are not sovereign rights—in which, to borrow their own word, they are co-citizens, as opposed to foreigners?

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That has been the problem all along; it is M. Mendès-France's problem now. It is easier to solve in Tunisia than in Morocco, for in the former a combination of three extra decades of tutelage, and of the receptiveness of the Tunisian character, has bred a professional class that as yet hardly exists in Rabat and Fez. These Tunisian moderates—debonair, cultured and almost more at home in Paris than in Cairo—have this week set out in the Paris newspaper, *L'Express*, a statement of aims which, though its keynote is independence, is so full of provisions for strategic, cultural and technical "interdependence" with France that it offers an arresting contrast to the relationship open to the west in Egypt or Indo-China.

The armoury which M. Mendès-France will—if he survives—carry into the North African arena is a cabinet well-endowed with men who have always advocated negotiation—their phrase is "*un dialogue*"—with nationalists of M. Nouira's outlook and quality. M. Mendès-France himself has, as a lawyer, defended Tunisian suspects before French military courts. M. Mitterand resigned from the Laniel cabinet because of its indecision over Tunisia; M. Edgar Faure was the one minister who raised a protesting voice about treatment of the ex-Sultan of Morocco; M. Temple enjoys special relationships with many Moslem *anciens combattants*. M. Mendès-France, on appointment, created a good impression in the protectorates by taking their aspirations sufficiently seriously to furnish them with a new and separate Ministry. It is said that he wanted M. Mitterand to hold this portfolio, but held his hand because the appointment would have alienated the Radical fragment among his strange assortment of supporters. M. Fouchet, who holds it instead, is a Gaullist, but one who has publicly proclaimed his view that the protectorate treaties must be revised.

Some major handicaps confront such a team. The first is that African extremists may well interpret liberalism as vulnerability, and so continue attacks that compel maintenance of military repression. The next is that such repression, if exercised without hint of other intentions, must lead to an atmosphere in which "*dialogues*" cannot take place. Experience goes to show that stern military measures produce no long-term results of value unless they are accompanied by deeds that symbolise friendly intention—for instance, by the release of a prominent prisoner or two. Finally, the biggest handicap of all is the powerful influence wielded in Paris by North Africa's French inhabitants—living in Algeria (which is part of metropolitan France) as well as in Tunisia and Morocco. The bulk of these have hitherto favoured the *status quo* maintained by French bayonets, and—if they run true to form—may work to tumble M. Mendès-France if he propounds some more liberal policy. His latitude for manœuvre in Tunisia is broader than that available to him among the crumbling bastions in Indo-China. But it is narrow as a knife-edge all the same.

Materials for Paper

A correspondent reminds us that the Chinese make paper out of the bark of trees and plants. There is, in fact, no want of materials out of which paper can be made, for almost every vegetable substance can be macerated into pulp and converted into paper. One gentleman has, we hear, taken out a patent for making paper out of turnips. It can be made from straw, nettles, hop-bine, rice, turf, cow dung, according to a writer of the *Journal of the Society of Arts*, plantain, etc. The want is less of materials for paper than cheap materials. Rags, except as convertible into paper, are absolutely worthless. Before any vegetable or fibrous substances can be obtained in quantities, labour must be skilfully applied, because all other things are obtained cheaply by skilled labour, and there is no other than skilled labour now in existence. No plants, as the rule, grow plentifully without labour, and cannot be gathered without labour. In almost all cases, too, the substances that are fit to make paper are fit to make cloth, or something more valuable than paper, and to that they will, in preference, be applied. They will serve to make paper after they have been used for some other purpose. We cannot assert that no substance will be found in abundance so cheap as rags; but it is their worthlessness—they being the waste or refuse of consumption—in comparison with any or all the products of labour, which creates the difficulty of finding substitutes for them. For society to go on smoothly, there must be either less progress in the intellectual arts, or there must be more clothing used. What is really required is [illegible] substitutes for rags than substitutes for dear cotton [illegible] and hemp . . . so that more and cheaper clothing . . . may be supplied to more persons.

The Economist
July 8, 1854

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Notes of the Week

Warnings to France

At their recent meeting in Washington, Sir Winston Churchill and President Eisenhower had to embark on the unhappy if inevitable course of shaping decisions about the future of Germany without the French. And in London this week a study group of Foreign Office and State Department officials have met to see how to carry out the agreement to grant a greater degree of sovereignty to Federal Germany without waiting any longer for the European Defence Community to be born. The Bonn Conventions were linked with the EDC treaty, and the task before the officials is to cut the connection between the two. They began work none too soon, as it is evident that Germany cannot, and should not, be kept under an occupation regime by powers that want its friendship and help.

But the question must be asked, how many more decisions are to be made without France? As Dr Adenauer pointed out in his broadcast on the EDC last weekend, a European policy without or against France is impossible. Yet French reaction to the Chancellor's warnings was not encouraging. French politicians seem to be bent on taking offence when faced with facts. M. Mendès-France was perhaps justified in calling off the visit of M. Guérin de Beaumont to Bonn, as Dr Adenauer had said his say beforehand in public, but it is unreasonable for the French to pretend that the EDC is an internal matter in which the German Chancellor should not interfere.

Dr Adenauer has indeed shown extraordinary patience. He waited until the heads of the British, American and Benelux governments had all indicated that they still wanted ratification of an unadulterated EDC. But when the German Chancellor did speak, he was far more explicit than the other western statesmen, and he bluntly laid down the terms of reference for any future discussion on the EDC. He demanded that the French government should at long last honour the signature of a previous government and present the EDC treaty, as concluded with five other powers, to its parliament for ratification or rejection. It was not enough for the Assembly to be asked to give a mere expression of will about some revised treaty which would then have to be re-negotiated.

Dr Adenauer categorically warned the French that "the so-called alternative to the EDC is the German national army," and no other. Furthermore, he said, if there are to be national armies the German *Wehrmacht* must be on a footing of full equality with its allies. The Chancellor made it plain enough that this is not a development he wants, and to interpret what he said as a demand for a revived German army is to distort its meaning grossly.

Too little attention has been paid to the loophole which Dr Adenauer offered to M. Mendès-France. The EDC is not perfect, he indicated, and if the treaty is once ratified it can be modified by means of protocols. Some supplementary "interpretations" of the text have already been drafted to meet French wishes, and it is probable that the Germans, too, would want to have some improvements made from their point of view. If this line of action were followed there would, therefore, still have to be fresh negotiations. But the "protocol solution" still offers the best chance of rescuing the project of a European army from complete wreck, and Dr Adenauer has done well to bring it forward with a blunt warning about the sole alternative.

Return to Geneva

MR MOLOTOV'S return to Geneva goes some way towards justifying the risks Mr Eden has run in order to bring about a settlement in Indo-China. It is true that those in Washington who have criticised British policy as appeasement will still ask two questions. What does Mr Molotov expect to achieve by coming back? And what expectation can there really be that a settlement will not in fact be a surrender of vital western interests? To neither question can there yet be a satisfactory answer. But the sceptics who doubted whether the Geneva conference would ever reassemble with the Russian, French and British Foreign Ministers back in their seats look like being refuted. In spite of the recent military successes of the Viet Minh in Indo-China itself, Moscow and Peking still appear to want to negotiate an agreement.

When the first stage of the conference ended on June 20th and Mr Eden came back to London, there were understandable doubts about further progress. Talks which were to be continued in the military committees were to be completed by today, July 10th. Then, in theory, there was—and is—to be a crucial period of ten days between July 10th and 20th when negotiations would come to a head, and might enable M. Mendès-France to return to the French Assembly with an agreement in his pocket before his time limit expired. In practice, secrecy about the military discussions between Franco-Vietnamese staff officers and those of the Viet Minh has been complete.

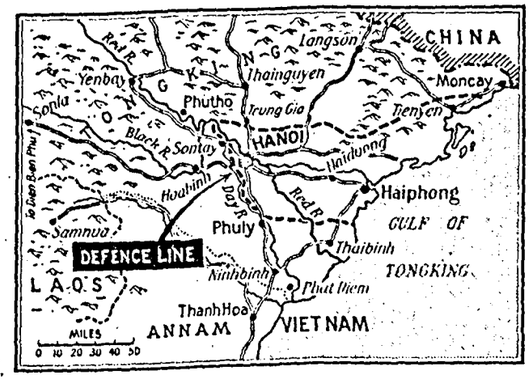
There is certainly no guarantee that this inherently improbable timetable will be adhered to; international conferences are rarely amenable to such tight schedules. Only two things suggest that it may. In an admirable speech to the Assembly on Wednesday, M. Mendès-France made it quite clear that he will stick to his word and resign if there is no cease-fire by July 20th—and that his last act would be to submit a Bill authorising the dispatch of

national service men to Indo-China. Secondly, from reports of M. Mendès-France's discussions with Chou En-lai in Berne on June 23rd, it may be assumed that the Communists realise that they have an opportunity now which may not be repeated. Taken by some as a French Bevanite, M. Mendès-France has at least the advantage that no one in France seriously questions his intentions. If he failed, the war would probably go on indefinitely.

Withdrawal in the Delta

THE crumbling of General Cogny's position in the Red River delta has put local problems in an urgent and different light. It is true that for the moment the French withdrawal from the southern third of the delta has increased the strength of the garrison in Hanoi and on the road and rail link with the port—evacuation port, some people have begun to call it—of Haiphong; and this probably means that an all-out Viet Minh offensive before the end of the rains in late September would not be completely successful. But, even if the military position is temporarily sounder, no army in retreat can avoid the political and other penalties of withdrawal. The shortening of the French line has inevitably caused a particular loss of confidence among anti-Communist Vietnamese. And while a new government has just been formed with some difficulty under Mr Ngo Dinh Diem, its first act has been to protest against the surrender of territory containing two million inhabitants, many of them Catholics and ardently anti-Communist.

The other problems are military; but they also have the widest political implications. So far the French have been enabled to fight by virtue of the flow of American supplies; now officials in Washington, especially in the Pentagon, are wondering how long they should go on shipping equipment to the delta, if the battle is going to end in a super-Dunkirk.



About $1,000 million worth of arms, ammunition and vehicles are believed to be at stake in the French bridgehead in Tonking; most, if not all, would be lost in an evacuation. In addition to equipment, there is a question of men. The mere probability that the French could hold out till the autumn gives no promise beyond that. Without reinforcements they are unlikely to be able to cope with the eight attacking Viet Minh divisions, as well as with infiltration inside their lines. But there is no certainty as yet that, however great the need, even M. Mendès-France could get conscripts sent to Indo-China.

Lastly, there are the truce talks which opened this week at Trung Gia, north of Hanoi. These are the local extension of the negotiations in Geneva, which had long seemed necessary if any detailed military arrangements were to be made on the spot. The Communists have behaved, however, as jubilant victors, and the effect of the French withdrawal will be to make it even more difficult to obtain concessions from them at Trung Gia than it was at Panmunjom.

Strategy for Scarborough

IT is now clear that Mr Gaitskell will defeat Mr Bevan in the election for the treasurership of the Labour party at the party's annual conference at Scarborough next October; but it is also clear that the conference's vote on policy towards Germany will be a desperately close thing. This week the National Union of Mineworkers became the seventh big union to instruct its delegates to the conference to vote for Mr Attlee's policy of accepting German rearmament within EDC; and the Amalgamated Engineering Union, which is opposed to German rearmament, rather surprisingly joined the miners in throwing its votes to Mr Gaitskell for the treasurership. This has cleared the way for some anxious counting of heads.

So far nearly 4 million trade union votes have been committed on Germany; everybody arrives at a different tally according to his definition of commitment, but the safest generality is that they have fallen almost equally on either side. There remain another 1,000,000 or so union votes and the 1,250,000 constituency party votes to come in. The constituency parties will vote predominately Bevanite. Mr Attlee may get a majority of the remaining 1,000,000 union votes, but nobody knows whether that majority will be large enough. If the vote goes against him, he will presumably plough a middle course between ignoring it and paying something more than lip service to the fears underlying the party's decision; but the effects both on domestic politics and on Britain's reputation abroad will be disturbing.

In the contest for the treasureship, the engineers' Brutus stroke to Mr Bevan means that Mr Gaitskell is already assured of nearly 2,750,000 votes, and Mr Bevan of only some 600,000. Mr Bevan can rely on winning most of the constituency votes and some more union support, but he cannot now get within a million votes of Mr Gaitskell. Despite this, he has confirmed that he will continue in the contest. This means he will lose his seat on the executive and with it the seniority that would have made him vice-chairman of the party this October and chairman (an office of nuisance value rather than influence) twelve months later. After October Mr Bevan will hold no official post in the party, and he will be enjoyably free of all responsibility for official policy. But he will have polled perhaps 2 million or more votes in the ballot for the treasurership; he may have won a major, if silent, victory over Germany; and he will have established clearly in the minds of the party that its future leadership is a simple question of Gaitskell or Bevan. This is precisely what he wants.

Rise by Another Name

BOTH Government and Opposition have rather shamefacedly adopted a more sensible attitude towards MPs' pay, after both had behaved deplorably. It will take a long time to erase the bad impression that Parliament has created over this question. Moving for all the world like dancers mincing through a gavotte, the party leaders have circled round one another, bandying about various "hypothetical" figures, before finally reaching agreement (according to reports current as *The Economist* goes to press) on an expense allowance that will give members up to another £280 a year.

The scheme in mind is believed to give all members an allowance of £2 a day when the House is sitting, but this will not be paid for Friday sittings, when the House adjourns at tea time. Originally the Government proposed to pay £2 a day to provincial members and 12s. 6d. a day to London members, but Mr Attlee and his fellow negotiators had been told in advance by their party (especially by London members) not to accept any such differentiation. After some argument, the Government has agreed.

Final judgment cannot be passed on the scheme until all the details are known; but, on the evidence so far available, it sounds like a highly questionable piece of deception, designed to gull the public into believing that MPs are only getting some special expense allowance. But the new allowance will apparently be available to all members, irrespective of their personal circumstances and regardless of whether they attend the House. True, MPs will be able to refuse the new allowance; but equally they can decline the present salary. Having indignantly (and wrongly) thrown the strong case for a pay increase of £500 a year out of the front door, the Government has apparently sidled round to the back in order to sneak in one of about £280. If the Government really believes there is justification for a rise of this or any other figure, then it should have the courage to say so. If it insists on adopting some form of allowance, then this should be clearly related to specific expenses. A payment that is supposed to be a subsistence allowance, but is payable to an MP who is spending the day fishing, is a straightforward increase in salary. It should not be called anything else.

Information Withheld

THE only person who could make no useful contribution whatsoever to this week's debate on overseas information services was the Government spokesman, Mr Nutting. He had to reveal that, after eleven months of earnest consideration, the Cabinet has not yet reached a conclusion about the recommendations for reorganising these services made last year by Lord Drogheda's committee. The subject clearly does not catch some elder Conservatives' fancy.

Mr Nutting had to fall back on the taunt that the Labour government had not practised what Labour members now preach, and on the plea that the present administration is spending £330,000 a year more on information than it used to do. This piecemeal increase misses the point. The Drogheda Committee's main recommendation was that information (whether of the type purveyed by the British Council, the BBC, or the Information Services proper) should be viewed as a whole, with its strategy planned and its finances guaranteed over a period of years. There is no sign that the Government has been converted to this central idea. Indeed Mr Nutting implicitly denounced one aspect of it. He said that he did not believe in co-ordination (presumably including co-ordination by a permanent advisory committee of the sort that the Drogheda report recommended). Instead Mr Nutting regarded each departmental information service as "the arm of its own Minister. He is responsible for it and he must fight for it, as it fights for him."

This question of co-ordination is of much greater importance than the recommendation of the Drogheda Committee that has aroused most stir. In this week's debate many speakers criticised the committee's proposal that, if economies have to be found in order to increase information services to such critical areas as the Far East, some £135,000 a year might be saved by abolishing BBC broadcasts to western Europe. The violent reaction to this proposal has been based on an understandable muddle. The propagandist spends his most popular—but he really does not spend his most important—moments when he is talking cosily to his friends.

The Hot Seat

PRESIDENT EISENHOWER did well on Wednesday when he took issue both with those who urge the instant offer to the Peking government of a veto-wielding role in the United Nations, and with those who demand that the United States should withdraw from Uno if the Chinese are voted in. Both positions are equally absurd. A Chinese army nearly a million strong is at this moment poised in central Korea, held in check only by the United Nations force that faces it—a force drawn from fifteen countries; and Peking propagandists continue to revile Uno as an imperialist tool unfit to meddle in Korean affairs. To admit to the inner council of the great powers a government still in such defiant opposition to the world organisation itself would be fatal to the whole great experiment in peacemaking. On the other hand, if and when a two-thirds majority of governments becomes satisfied that Peking has set a different course, any individual nation that opposes this judgment to the point of withdrawal will itself be helping to wreck the enterprise that was launched at San Francisco in 1945.

Two things need to be emphasised at this point. One is the depth and extent of popular indignation in the United States at the proposal that representatives of the government whose invasion of Korea cost so many American lives should be seated in Uno before any settlement has been reached. The belief, too often expressed on this side of the Atlantic, that this opposition is simply the work of a group of hot-headed politicians, is a most dangerous illusion—an illusion of which even the Communists would do well to beware. The other point that badly needs recalling is that the painful dilemma about the Chinese seat is essentially an artificial one. Mao Tse-tung's claim to great-power status in Uno, a permanent seat on the Security Council, and a right of veto, arises from the fact that these privileges were awarded in 1945 to Chiang Kai-shek's government, which qualified for them at that time little more than it does today.

Is the whole future of the United Nations to be imperilled by a dispute whose origins were so unreal? The true great powers did not number five in 1945; who can say how many they will be by 1960? The United Nations Charter itself requires that its revision should be considered by next year at latest. Is there not a strong case for discussing the question of the Chinese seat in the context of a general revision that would bring the charter abreast of a rapidly changing world?

Trading in an Open World

THERE are many lessons to be drawn from the history and signal success of the European Payments Union which, if all goes as is generally expected, has just entered its final year of operation. The chief lessons are that, first, international action on trade and on payments cannot sensibly be divorced; second, in the modern world internal and external economic policies are so closely related that only if countries are prepared to discuss together questions traditionally considered as purely domestic will an international trade and payments organisation be really successful.

The OEEC finance ministers who meet in London next week under Mr Butler's chairmanship will have these points very much in mind when they discuss the new problems that convertibility would bring in its train. But agreement on what the main essentials of a post-convertibility trade and payments organisation should be is one thing; what can be done about it is quite another.

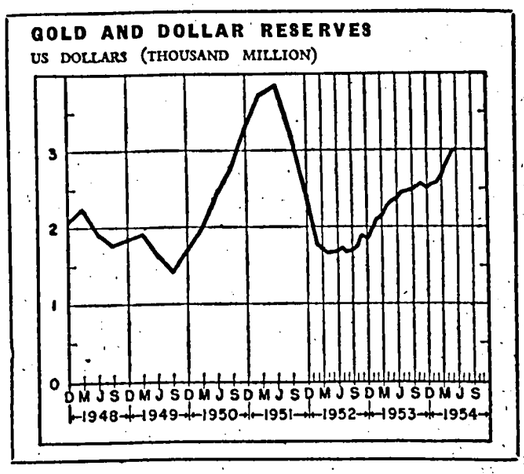
If the major European currencies became convertible with the dollar, the world for which the International Monetary Fund and Gatt were invented would become much more real than at any time since the war; and the main arguments for a regional approach to trade and payments problems would fall to the ground, except as regards the transitional problems that would arise if, as is probable, all the European countries could not take the convertibility plunge simultaneously. But much valuable experience in international co-operation will be wasted if no way is found to carry over to the worldwide organisations both the freedom of discussion and the comprehensiveness of approach that have marked the interlocking discussions in the EPU and in the OEEC Steering Board for Trade. This will not be easy.

Gatt and the IMF are independent organisations meeting separately and, unlike the European bodies, infrequently; and discussion of internal policies is specifically proscribed by Gatt. The obvious remedies would appear to be some new link between the two existing organisations, some redrafting of Gatt and of the Articles of Agreement of the Fund (particularly the rules about quantitative restrictions) and the introduction of effective sanctions. But each of these remedies implies new headaches. If the link is some form of special committee, meeting frequently and advising both Gatt and the IMF on policy questions, how can it be small enough to be effective and yet large enough to be representative? Should its powers be more than advisory, and, if so, what becomes of the "preponderant voice" that the United States has, by law, in the Fund? Can Gatt and the Fund be adequately modified and interpreted without substantial re-negotiations? If not, is the United States, which has felt it premature to do more than extend the trade agreements act for one year, ready to enter into a full-fledged re-negotiation of the Bretton Woods agreements? If the EPU disappears, what means will exist of disciplining a country whose trade policies do not conform to its financial position? And, above all, is there any sanction that is really effective against a country which is strongly and persistently a creditor? Organised discrimination is sometimes suggested, but it is difficult to see how the threat to take a measure that is the inevitable last resort of the debtor countries will frighten or compel a creditor country to alter its policies. The unhappy fact facing the ministers is that an agreement in principle on what is required will lead not to an easy solution but straight into a dense thicket of very thorny questions.

Russian Shockers

SOVIET readers can no longer complain that they are deprived of "thrillers." In the last few weeks at least a dozen spy stories have been published, all with roughly the same plot—one about western agents sent to Russia to spy and sabotage, but finally caught by the long arm of Soviet law. This fiction, coupled with similar "factual" stories publicised in the Soviet press, is clearly aimed at arousing vigilance and xenophobia. It is an interesting attempt to revive the mood of the months before Stalin's death, when every citizen lived under a cloud of suspicion.

The new regime had started with a period of relaxation. Having denounced the "doctors' plot" as a frame-up, it proceeded to attack the whole campaign of plot, poison and putrefaction. Only a few months ago Soviet satirists were still allowed to mock undue vigilance and the maladive



suspicion of everything foreign. One of them, in a witty comedy, described how a Russian engineer was almost branded as a traitor by his fellow-workers because he had a foreign "royal medal." It turned out in the end that the "medal" was merely a tag belonging to a dog he had bought while on official service abroad.

The zigzags of current Soviet policy, however, are so sharp that contradictory trends are revealed almost simultaneously. While some leaders now favour a return to Stalinist vigilance and tension, others can still strike a blow for scientific freedom. Last week *Pravda* came out with special praise for Professor Einstein, who for years had been the object of violent criticism in the Soviet press. The author of the article, the academician Sobolev, took Soviet scientists to task for throwing out the baby with the dirty water, for ignoring Einstein's great scientific achievements because of his "confused" philosophy. He went even further and attacked those intellectuals who in controversy use threats and vituperation instead of a reasoned argument; Lysenko himself was named among the culprits. Moscow university's faculty of physics was accused, in barely veiled terms, of obstructing atomic research (Has Russia its own "Oppenheimer" problem?). But the reason for *Pravda's* new line is obvious. One cannot develop atom power stations if one ignores the achievements of world science; outworn Stalinist fetters hinder development in the atomic age. The struggle between those who would like to keep them and those who would like to get rid of at least some of them is not yet over.

Dr Cort's Liberty

NOBODY should feel satisfied with the explanations that the Home Secretary has so far put forward for refusing to allow Dr Cort, the American former Communist who is now Lecturer in Physiology at Birmingham University, to remain in Britain. The Home Office's case is that the only danger of imprisonment that will face Dr Cort if he returns to the United States arises from an offence that he has committed against the American Selective Service Acts; he did not report to the American authorities in this country for a medical examination, to confirm that he is still unfit for military service. If Dr Cort's political opinions had placed him in jeopardy of imprisonment, then British custom and convention would normally oblige the Home Secretary to allow him to stay; Sir David Maxwell Fyfe's ruling appears to be that those political opinions have had no direct bearing on his offence.

On the face of it, this is casuistry. The reason why Dr Cort did not report for his medical was that he had been a member of the Communist party while at Yale. He knew that he would have to list this former membership when he presented himself for induction; and he feared that American law would then cause him to be called up as a private (regardless of his medical qualifications) and that he would have great difficulty thereafter in securing any academic post in the United States. Some of the arguments that have been put forward in Dr Cort's defence are exaggerated; it is not true that, after induction, he would have been court-martialled for his previous Communist activities—provided that he had filled in his recruitment form honestly. But there can be no doubt that his political opinions lie at the bottom of the quandary in which he has now been placed.

The Home Office is usually very jealous of civil liberties, and the suspicion has therefore arisen that there is more in this case than meets the eye. It is certain that the hidden factor does not lie in pressure from the American Embassy. The Americans would probably be delighted if the Home Office allowed him to stay here; after the fuss that has been raised they will have to take proceedings against him on his return, and they know that these will be followed with yelps of delight in left-wing papers in Britain. A major problem is that if Dr Cort continued to evade military service he would lose his American nationality, and the Home Office is frightened of collecting too many stateless aliens whom they cannot deport to anywhere if they become a nuisance to or a charge upon this country. But nobody has alleged that Dr Cort would become a nuisance, or that he is not the best man for his present post. If Sir David's real reason is that he has outside evidence that Dr Cort may be a genuine security risk, or even that he is disturbed about the number of fellow-travellers who seem to have congregated in certain faculties of this particular university, then he should say so.

Civil or Military Defence?

THIS week's debate on civil defence has made at least one thing clear. The House of Commons is not divided on whether civil defence is a necessary part of peacetime preparedness for war. No one accepted the proposition that the effects of the hydrogen bomb are so awful that measures to counter them are useless. Nor was there any disagreement over the need for a much greater sense of urgency and direction to be felt throughout the civil defence organisation from top to bottom. More than one member suggested that it should be taken out of the Home Secretary's hands and given its own minister, or at least that it should be headed by a full-time director instead of by a committee of civil servants. The principal source of disagreement concerned the respective roles of the local authorities' civil defence services and the new mobile columns.

As the Home Office envisages things at the moment, the chain of command in the event of war will be from the central government, as long as it can function efficiently, through the regional commissioners, who will be appointed when war is inevitable or imminent, to the local authorities' controllers, who are already being appointed. But in addition, and transcending all local authority boundaries, there are the mobile columns (to be manned in the first instance with national service reservists of the Royal Air Force) whose duties will mainly consist of rescue work and firefighting. The relation between these columns and the local, static, forces has hitherto been obscure. The chief new piece of information given by Sir David Maxwell Fyfe in the debate is that the mobile columns are shortly to have a commander-in-chief, who will be in operational command of them in war and whose immediate task is to co-ordinate the plans for mobile columns with military plans and with the local defence services.

This appointment and the emphasis now being placed on the training of mobile columns naturally provokes the argument whether it would not be better to concentrate on achieving efficient and fully trained mobile forces, rather than on trying to recruit large numbers of half-trained local volunteers. This argument, however, overlooks the facts that, first, the local forces will have to take action before the mobile columns can arrive; and that, secondly, however intensive the local recruitment campaigns, they will rarely be able to produce the numbers wanted. There is no question of choosing between mobile or static forces. The problem is how to find and train adequate numbers of people for both.

Confusion in Kenya

THE disarray into which European politics in Kenya have fallen since the new constitution was announced shows no signs of abating. The latest manifestation of this deplorable state of affairs occurred this week. The vague but well-intentioned statement of policy which the Government produced on Monday was immediately followed by a counterblast from the European electors' union, expressing "the greatest anxiety" at the Government's "thinly veiled effort to appease influences hostile to European settlement in Kenya." The electors' union has not lately had much authority; but in this instance it undoubtedly expressed a growing grumble among some sections of the European population that their leaders in the legislative council let them down (and sacrificed "principles" in favour of "expediency") by joining the multi-racial government. Unfortunately, even men like Mr Michael Blundell and his supporters, in an effort to put up a façade of unity with their less liberal colleagues, have lately felt compelled to bring out some old and jagged racial hatchets (such as the "inviolability of the white highlands") which leaders of all races had agreed to bury during the experimental period of the new government. It is high time that the settlers realised that all vestiges of the myth of permanent white supremacy (now usually hidden under the euphemism of "predominating responsibility") have got to be banished for good.

The illusions of some Europeans that they can continue to oppose the trend to fully multi-racial rule in Kenya are made all the more foolish by the fact that the colony is now demonstrably unable to pay the costs of its emergency. Mr Vasey, the colony's realistic Finance Minister, has now finished his negotiations with the British Treasury for some relief from these burdens. It is clear that Britain will have to shoulder the military costs of the present campaign; it will also contribute heavily towards the almost equally expensive—and certainly equally necessary—rehabilitation and development schemes planned in Kikuyuland and the rest of Kenya. But in return Kenyans have a plain duty to listen to reason and the British taxpayer. Colonials should be the first to recognise that there must be "no taxation without representation"—which, in this case, means representation of more liberal views.

Canute at Uno

SOME years ago a witty Frenchman defined the United Nations as a small internationalised territory whose principal export was duplicated documents. On Monday the Secretary-General, Mr Dag Hammarskjöld, implicitly confirmed this definition. He pointed out that even the member governments could not cope with the flood of reports and other documents which their own spokesmen had called for. Mr Hammarskjöld's strong plea that sluicegates be built to stem this flood will be welcomed by all who have to do with UN matters. It has long been the custom of any delegate with nothing more useful to say on a complex subject to demand that the Secretariat should produce yet another bulky report; and it is rare for his fellow delegates to vote him down, for sooner or later they in turn may need his backing for some pet project.

More than once it has happened that, by the time a report is produced, its original sponsor is no longer attending UN meetings, and nobody else has any desire to read it, or even any recollection of what purpose it was meant to serve. All too often the only effect has been to add to the burdens both of a harassed secretariat, which has to create these mimeographed monsters, and of the reluctant foster-Frankensteins in the member nations' Whitehalls, who have to receive, house and, if possible, painlessly exterminate them. The UN organ that offends most grievously is the Economic and Social Council. If Mr Hammarskjöld succeeds in holding back the flood from that quarter he will have outdone his fellow-Scandinavian, King Canute; for this council's activity is as vast and sterile as the salt sea. Uno's economic and social work is done, in practice, by its technical agencies and departments, several of which are admirably productive; and it is difficult to see what part of that work would suffer if the council were to vanish overnight.

South Africa's Buoyant Moment

THE announcement this week of a five per cent increase in South Africa's quotas for the import of consumer goods restores the degree of liberalisation that existed until last year, when controls were tightened owing to balance of payments difficulties. This indicates the dramatic recovery of South Africa's foreign trade since the dark days of December. At that stage, when foreign exchange reserves had sunk to less than £90 million, a mere rumour of devaluation was enough to cause a crisis. Since then, however, against official expectations, the recovery has been gaining strength, and despite the customarily lean period of export earnings at this time of the year, reserves have mounted to over £123 million, having thus more than recovered the ground lost between April and December, 1953.

Since Mr Havenga's "optimistic budget" in March the mood in the Union has been one of extreme buoyancy. But it has been overdone. Certainly there is room for satisfaction in the favourable trend of the balance of payments; for the moment the position is secure. Nevertheless it has

to be remembered that imports are still restricted to only 45 per cent of the level of 1948, the last year of freedom. Moreover, the economy is at the moment marking time, getting its breath after the postwar surge of rapid industrial and mineral development. The phase has passed when huge sums had to be spent abroad on machines and equipment for the Orange Free State goldfields, and for other major capital works. But, if the South African economy is to preserve the dynamism that carried it through the boom years from 1946 to 1953, a great deal more construction work, particularly on public utilities, needs to be put in hand.

A lot has been said about the bright long-term outlook for South Africa's export industries, such as uranium and gold. No doubt there are good things in store when the new Free State mines get into their stride, and the uranium investments begin to bear fruit. But it may be longer than some people expect before the net gain becomes appreciable; for, at the same time as the new mines begin to yield gold, a number of the older properties in the Central and East Rand are falling out of production. Another dubious factor is the exceptional harvest last year, which enabled South Africa to export some agricultural products, whereas since the war it has often been obliged even to import commodities like maize. Good harvests cannot be counted on in a country like South Africa. Ffnally there is the flow of capital to the Union, which, by all accounts, has been substantial this year. This, too, is a factor liable to sudden reversals. The Union, therefore, needs to have a reserve of ample proportions. It is too early to throw caps in the air.

Obscenity at the Old Bailey

IT is doubtless as tactless to think of congratulating an Old Bailey jury on their verdict of "Not Guilty" as it would be impertinent to congratulate the judge in the same trial on his summing up; but, after the recent acquittal of Messrs Secker and Warburg, the inclination is there. These publishers, their printers, and one of their directors were prosecuted for publishing an obscene libel in the shape of the novel "The Philanderer" by the American writer Mr Stanley Kauffman. The book was described as a novel of life in contemporary New York, and Mr Justice Stable summarised it as a story of a young man obsessed with a desire for women. That was not, he said, presented as an admirable thing, nor as something which brought happiness or permanent satisfaction. To write about the act of sexual passion might be an error of taste, but was it, as the prosecution alleged, "sheer filth"? The jury, nine men and three women, refused to call the book an obscene libel, and the decision of Messrs Secker and Warburg to let the case go for trial has been justified.

The law of England on this subject has often been harshly criticised. The test for obscenity in literature is still that laid down in 1868, that a book is obscene if it tends to deprave those whose minds are open to immoral influences. Logically, such a definition can be made to look extremely foolish, but critics of it often tend to overlook two other considerations. One is that it is remarkably difficult to substitute for it any other definition, contained within a formula of words, which cannot be made to look equally foolish. The other is that the definition is not intended to be applied logically, for logic plays a small part in the common law. It is not intended as a measuring rod for use by those who use their brief authority as policemen, magistrates or local councillors to pronounce judgment on matters of taste. It is intended to be a working guide to those who are given the responsibility of judging and for whom, equally, the book is written—a common jury.

The novelist who allows his work to be published in England writes for an Old Bailey jury, or its equivalent, just as he himself inevitably sets out in his book the standards by which he asks that jury to judge him. The function of the court—and it would be difficult to exaggerate its importance—is to see that this confrontation is actual, unobscured by fashion or prejudice, and in focus. In this respect, Mr Justice Stable's summing up last week deserves to take its place alongside the judgment delivered in the Supreme Court of the United States on Mr James Joyce's "Ulysses."

General Practice Surveyed Again

WITH only one dissentient, the British Medical Association reaffirmed, at its annual representative meeting this week, the profession's opposition to a full-time salaried service for general practitioners. In doing so, it had the satisfaction of knowing that a committee of the Central Health Services Council had just reported in favour of retaining the present system of payment by capitation fee as allowing the maximum independence for the doctor and interfering as little as possible in his relations with his patients.

The committee's report (HMSO, 2s. 6d.), which will, one cannot help hoping, be the last word for some time on this much-surveyed branch of the medical profession, now slightly more restricted in its scope than most of its predecessors. The committee, under the chairmanship of Sir Henry Cohen, was asked to consider general practice within the health service. It was not therefore concerned, except indirectly, with the wider aspect of general practice—with its *raison d'être* in an age of increasing specialisation—and makes only a brief mention of it in the report. Yet many of the points the committee discusses will be familiar: the relations of general practitioners with their professional colleagues inside and outside hospitals and with their patients; the burden of certification; economy in prescribing; standards of accommodation.

The importance of its findings in all these matters is not that it could find much that was new to say, but that its conclusions have the stamp of authority. For this reason, its views on health centres will be read with particular interest. As it points out, local authorities have a duty, under the National Health Service Act, to establish health centres at which general medical services would be provided. In fact, only four new centres have been opened since 1948, and at two of these—in London and Bristol—the rents obtainable from the doctors do not cover the running costs. But it is not only cost that prevents the general provision of health

INDUSTRY

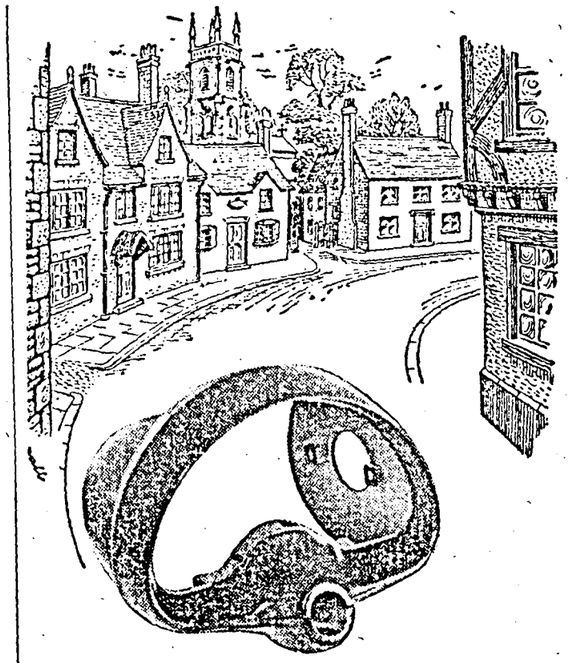
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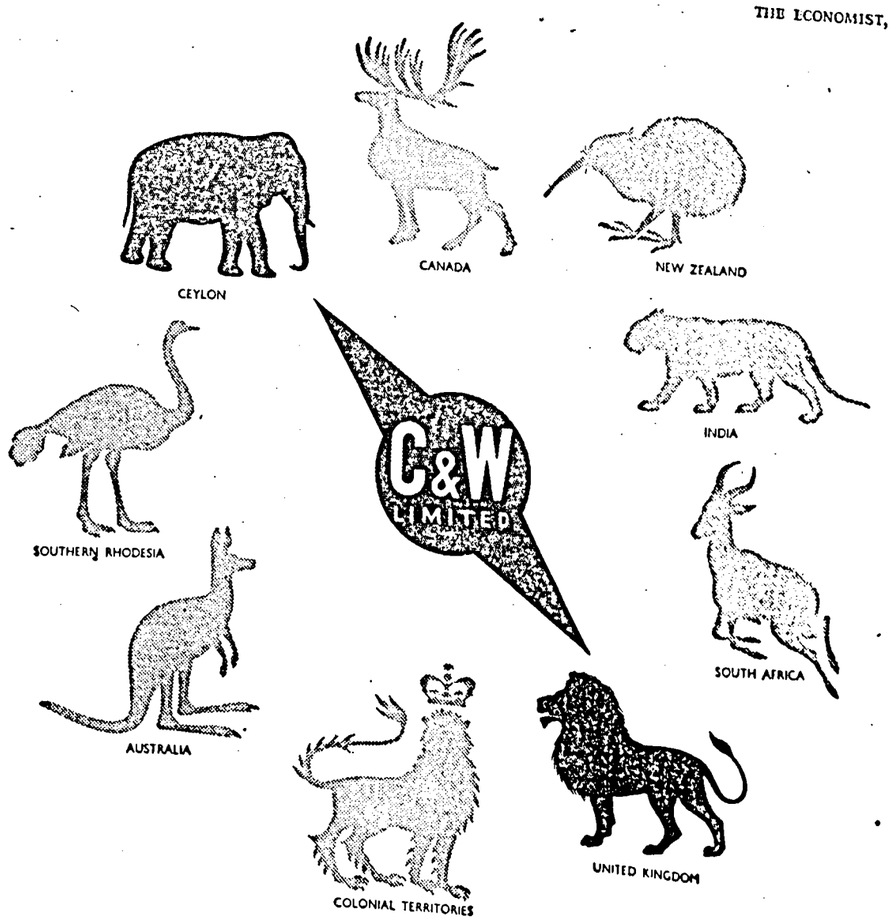
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centres. The committee lists other practical difficulties, most of which boil down to a natural reluctance on the part of doctors to agree to the gamble of transferring their practices to a health centre, with all that it may imply of local authority control. The committee, therefore, comes down in favour of group practice rather than health centres. This it considers a more natural—as well as cheaper—method of securing the closer co-operation between general practitioners that is believed to be the best way of improving their standards of service and conditions of work.

"Disinformation"

In the course of a brief description of the departmental structure of Soviet security and intelligence, Mr Vladimir Petrov revealed to the Australian royal commission last week the existence of a staff whose task is to disseminate misleading information. This is apparently known as the "disinformation" directorate. The word is apt, if unintentionally so. Onlookers in free nations have long been impressed by the Communists' mastery of the art of launching a world-wide campaign of defamation or distortion on almost any theme. Within a mere forty-eight hours it is usually possible for the party press throughout the world to swing into line on even the most abstruse topic, with a wealth of artistic verisimilitude. A recent classic example was the sudden vilifying of the International Red Cross immediately after it had been suggested that that body should investigate the "germ war" charges.

Light has already been shed on that episode by the trial, in a Swiss court, of a professor who was found to have been supplying the "World Peace Council" with defamatory tales about individual members of Red Cross committees. Mr Petrov may provide further enlightenment. Meanwhile, the old adage about truth's ability to outdistance fiction looks like being upheld once more. George Orwell added to our vocabulary the grimly necessary words "unperson" and "unfact"; and the expunging from new editions of Soviet publications of all references to, for example, Beria or the Nazi-Soviet pact of 1939, shows how close to the mark he was. But "unfacts" are negative affairs. "Disinformation" is the obverse side of the same coin, and one can only be grateful to the Soviet authorities for providing such a badly needed term.

Prison for Psychopaths

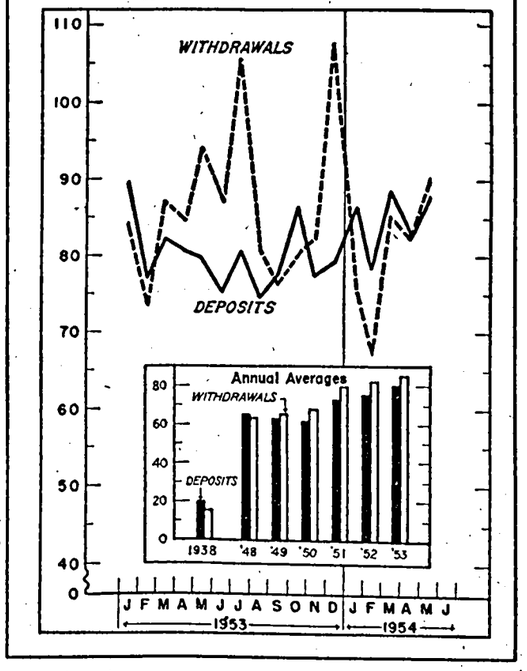
The Home Office announced last weekend that local objections to the establishment of a new prison near Aylesbury have been overruled. Work can now go ahead on the first institution of a type that has often been recommended—first as long ago as 1939, in the East-Hubert report on the psychological treatment of crime.

It is generally recognised that there is a type of offender for whom the present penal system is useless. The psychopath, to give him his medical term, is the despair of his doctor even when he is not a law-breaker. He is not normally certifiable, and he is seldom suitable for admission as a voluntary patient into a mental hospital or for out-patient treatment—even if he were prepared to agree to either step. When he turns to crime, as many psychopaths do, nothing within the penal system seems to have any power to change his behaviour—in fact, as was said in evidence to the Royal Commission on capital punishment, inability to profit from experience is one of the symptoms from which a diagnosis of psychopathic personality is made.

The new institution will provide an opportunity for giving sustained treatment for this abnormality of character and for undertaking research into why it occurs. The institution will house up to 300 prisoners selected from among an estimated total of about 1,200 imprisoned psychopaths—that is, 5 per cent of the prison population of England and Wales. It will be under the control of the Prison Commission, but its head will be a psychiatrist, not a prison governor, and its officers will be specially picked and have to undergo a special course of training. Many years will elapse before the success of this new prison in dealing with the psychopathic offender can be determined; for one thing, its inmates will be chosen from those serving sentences long enough to allow of sustained psychiatric treatment. But the institution ought to have one beneficial effect immediately it is opened—which will apparently not be for a year or two. The removal to it of some of the most unstable inmates of the overcrowded prisons is bound to relieve the hard pressed prison staffs and may help to prevent a recurrence of such incidents as recently took place at Wandsworth.

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Letters to the Editor

Boundaries on the Move

SIR—Your recent comments on the Parliamentary Boundary Commissions' provisional determinations have encouraged me to draw attention to the following point.

It appears that the English Commission is using as an electoral quota a figure of 57,122 which is obtained apparently by dividing the number of electors in England only by the number of English constituencies. There is nothing in the 1949 House of Commons (Redistribution of Seats) Act which refers to a special English quota. Indeed, rule 7 of the Second Schedule says "the expression 'Electoral quota' means a number obtained by dividing the electorate of Great Britain by the number of constituencies in Great Britain existing on the enumeration date." The electoral quota in 1953 ascertained by this rule is 55,670.

Does this matter? Taken with another practice of the English commission I think it may. Although there is nothing in the Act directing the Commission to proceed county by county this is apparently the method adopted. The electorate of each county is apparently divided by the figure 57,122. If the result obtained by this process is less than the number of existing constituencies there is a reduction of seats—if more, then an additional constituency may be suggested.

One wonders if all this is worthwhile. In the case of London, which has now 43 seats, the division by 57,122 gives an answer of 42.45. Ergo: one seat must disappear; so for eight Metropolitan Boroughs the Commission lightly breaks rule 4a (iii) of the 2nd Schedule of the Act, which says that only in exceptional circumstances should a Parliamentary constituency run into more than one Borough. In addition 22 constituencies are changed to effect this reduction of one seat! (You refer to the fact that under the Commission's proposals Wandsworth Town Hall is placed in Battersea. A similar feat occurs in connection with Hammersmith Town Hall which will find itself in a Fulham Parliamentary division.) Were the electoral quota for Great Britain of 55,670 used, no change would occur in London and many other cities. As *The Economist* said on April 3rd "cities with more than one member are continually threatened with disruption to meet the movement of a small percentage of voters into the suburbs." This cannot be good for representing government, and certainly gives a feeling to electors of belonging nowhere.—Yours faithfully,

ARTHUR SKEFFINGTON
House of Commons

Pakistan Looks Both Ways

SIR—The last paragraph of your article of June 26th misjudges the situation in Pakistan. It has been an article of faith with Pakistanis, irrespective of which wing of Pakistan they come from, that Pakistan forms an integral whole and this ideal of one country and one nation has been demonstrated more than once in the past 6½ years.

The Central Government's intervention in East Bengal was warmly welcomed by leaders of public opinion throughout Pakistan. There is no intention whatsoever of flouting the election verdict of the people. The Provincial legislature has not been dissolved and, as soon as normal conditions have been restored to the Province, the majority party in the legislature will be called upon to form a government. The same administrative machinery which governed the Province before is functioning today, with only this exception that the powers which vested in the Provincial Cabinet now vest temporarily in the new Governor who is a civil servant.

The geographical location of the two wings of Pakistan is such that the nation as an integral whole has a deep and abiding interest in the Middle East and South East Asia, and the foreign policy of the nation and its relations with foreign countries take this fact into full consideration. A nation has only one foreign policy and in so far as Pakistan is concerned there is no deviation from this cardinal principle. It is absurd to think that the two units of East and West Pakistan have, or could possibly have, separate interests and policies in the context of the Middle East and South East Asia.—Yours faithfully,

S. M. HAQ, Press Attaché
Pakistan High Commission, S.W.1

Dr Nkrumah Returned

SIR—In your issue of June 19, 1954, you state that the Convention People's Party has signally failed in its attempt to win all the Trans-Volta Togoland seats, and this implies a victory for the Togolanders who put the unification of Togoland before any closer association with an independent Gold Coast. You also observed that the Togoland situation could, in effect, lead to a strengthening of the demand for an eventually independent Togoland.

Neither of your observations is an accurate statement of the facts. For the Togoland Congress, which is demanding the unification of British Togoland and French Togoland, won only two seats throughout the entire area of British Togoland. It did not win a single seat in the northern section of British Togoland.

The unification of British Togoland and French Togoland, which in effect implies the reconstitution of the territory known as German Togoland, would create many new problems. It would destroy the unification achieved by the Kusasi, Mamprussi, Dagomba, Gonja and Akan peoples of the northern section of British Togoland, who since the first World War have been re-united with their own people in the Northern Territories of the Gold Coast. It would also destroy the Trans-Volta Togoland Region, which was established in order to satisfy the demands of the Ewe people for the unification of the Ewe areas of the Gold Coast and southern British Togoland.—Yours faithfully,

KOFI BAAKO,
Chairman, Convention People's
Accra Party Information Bureau

Borrowed from Stalin

SIR—Your view on the Soviet interpretation of peaceful co-existence is supported by a leading article in the Moscow journal *Communist of April*, which bears the eloquent title "The march of Humanity towards Communism is irresistible." It makes the sweeping statement that capitalism has discredited itself in all directions. "But there is every reason to expect," the journal goes on, "that if the imperialist reaction dares to provoke a third world war, it will end with the complete collapse of the capitalist system."

In this long article of eight pages there is no mention of peaceful co-existence. The world situation is described as a permanent struggle between the capitalist and socialist systems, with capitalism running to its inevitable doom and the future belonging to socialism in its Soviet form.—Yours faithfully,

T. ZAVALANI
London, W.11

Leadership in New China

SIR—In your article of June 19th, the statement that "in the foreign field Liu Shao-ch'i confines himself to being President of the Sino-Soviet Friendship Association and Vice-Chairman of the WFTU" could be misleading.

Liu Shao-ch'i is not only the theoretician of the Chinese Communist party but, like Rakosi, he is a great figure in the International Communist Movement. His lectures on the "Party" and "The Education of a Communist member" are two of the prescribed text books of the Party throughout the world. It is true to say that he has had little experience in foreign affairs, but in 1948, when it became necessary to define the relationship between China and the USSR it was again Liu who produced "On Internationalism and Nationalism." This publication has formed the basis for Chinese foreign policy ever since.—Yours faithfully,

J. K. ADAIR
London, W.8

Books & Publications

Proconsul of East Africa

AFRICAN AFTERTHOUGHTS.
By Sir Philip Mitchell.
Hutchinson. 288 pages. 18s.

IF Sir Philip Mitchell had retired a few years sooner, or the Mau Mau rebellion had broken out a few years later, this wise, philosophical, humane record of personal service—of men and events—in East Africa from 1912 onwards would have been judged simply as any other proconsul's memoirs are judged: for an insight into history, and only secondarily for comment on present difficulties. But as it happened, Sir Philip Mitchell handed over Kenya to his (absent) successor a month or two before Mau Mau atrocities began in full earnest. Inevitably, the reader asks himself (and watches the narrative for forebodings) "Did Sir Philip foresee what was going to happen? If he did not, what use is all this ripe wisdom? If he did, why did he not warn us—or warn Mr Lyttelton privily?"

In fact, Sir Philip's last important official action—among many that were of very great importance and lasting value—was to demand a Royal Commission to look into East Africa's desperate land and agricultural problems—problems which he well understood and had long seen accumulating; after a still not satisfactorily explained delay, he got what he wanted. But he apparently did not foresee Mau Mau even in his last year of office. In this book, perhaps wisely, he refrains from extended comment on the subject, but what he does say is not very illuminating. His attitude seems to be that beastly sects (such as Bakonikoni) and even big uprisings (such as Maji Maji) have occurred in East Africa more than we realise; Mau Mau is of a type—only more serious. But the seriousness of Mau Mau is, of course, the whole point, for no African rebellion has caused so much damage as this, or turned the searchlight so strongly on the future of white settlement.

But if on the events immediately preceding the emergency Sir Philip is unilluminating, his book as a whole sheds much light on the present state of East Africa. Sir Philip cannot erase from his mind—and vividly recreates in the reader's—the picture of East Africa as it still was when he was first appointed to the colonial service: it had then had but a few years of European administration and bore all the scars of its previous barbarism and the effects of the Arab slave trade. The complete primitiveness of the African, technically as well as socially, was then apparent, and so to Sir Philip the political and economic developments in the mere forty years that followed are breakneck in their rapidity—and stand as their own justification for British rule. In his comments on the Masai, moreover, he reveals himself no enthusiast—as some sentimental British settlers are—for the "savage gentleman." He believes firmly (having seen it in continuous action) in the British civilising mission in East Africa. To him the best African is the emerging, civilised one, whatever his shortcomings. But he clearly considers that those who overestimate the rate at which the African can absorb British culture and institutions are as recklessly at fault as those who underestimate it.

Sir Philip believed, and still believes, in a closer union of all East and Central Africa, and castigates those people who prevented it—bureaucrats, politicians and those Kenya settlers who now most ardently wish it had come about. But he admits that Tanganyika's attitude was always the obstacle—an obstacle that might ultimately have been removed if he had been able to take its governorship, offered to him in 1937 when he was still Governor of Uganda. He had at least the satisfaction of bringing the East African High Commission into existence. On the Kenya settlers themselves, he will be read with interest; for he was not popular with many of them. He finds them politically inept and dangerously liable to a rebellious contempt for Government, law and order, which has now recoiled horribly on their own heads. Critical of them as he is, Sir Philip is yet definite that European settlement did immense good in East Africa, and above all for Africans and African farming. It is because he puts African interests first, yet has seen what white settlement—particularly in Tanganyika—has achieved, that he believes in lasting partnership between the two races. For such solid, experienced insight into East Africa's basic conditions, human and ecological, this personal perspective should be widely read.

Titanic of the Air

SLIDE RULE: *the autobiography of an engineer.*
By Nevil Shute.
Heinemann. 249 pages. 18s.

ONE of the saddest moments in the annals of the British aircraft industry is the crash of the airship R 101. At ten minutes past two on the morning of October 5, 1930, on her maiden voyage to India, R 101 ran into a storm over France that rent the outer cover of her gas bags. The 148 ton airship went into a dive and burst into flames on the ground. Altogether 48 people lost their lives, including the Secretary of State for Air, Lord Thomson of Cardington, and the designer; only six of the crew escaped. A sad and sickened government wrote off an experiment in airship development that had been planned to open up the world's air routes.

The R 101 was a government project, designed and built by the Royal Air Force. A competing design, the R 100, was being built for the government by Vickers, Ltd., and the assistant designer on this project was a young stress engineer, Nevil Shute Norway, the son of an able civil servant in the Post Office hierarchy. The R 100 had made a safe and successful round trip to Canada a few months before the departure to disaster of the R 101. Nevil Shute believes that the designers of the R 101 were forced by Vickers's progress with the R 100 to put into the air an unsafe airship and to fly it under conditions that they would never have attempted had they been free to choose, and to that effect he tells his story of the men and the events that contributed to the tragedy.

Partly to find relief from the tension of work on the R 100, he turned to writing novels around the persons and episodes of his daily work. He recognised early on his limitations as a designer, and chose deliberately to be a big frog in a small pond rather than the other way round. He worked first for de Havilland, and left the company for Vickers when he realised that the competition of talent was too strong to give him personally much prospect of promotion. When the R 100 went for scrap, Nevil Shute and some of the men who had worked with him started their own aircraft manufacturing company on the promise of an order for two machines. Out of these unpromising origins grew Airspeed Ltd., a company that found its feet with rearmament and has since been absorbed by de Havilland.

These two episodes, the building of the airships and the founding of Airspeed, make up the book; it is essentially the autobiography of N. S. Norway, the engineer, and not of Nevil Shute, the novelist. The technique works well in the first half where the events compel attention without any need for dramatisation and where any first hand account of what built up to the ultimate disaster has an additional historical value. The remainder of the book would have been more interesting if Mr Norway had allowed the novelist greater discretion. His version of the growth and financial tribulations of Airspeed, peppered with complaints about the treatment of the company by its potential customers and its financial supporters, does not make it seem at all surprising that he was eventually bought out by his colleagues on the board. Good designers do not as a rule have the traits needed to make good managing directors, and it is unfortunate when events sometimes force them to double the two roles.

God and Dr Buchman

INSIDE BUCHMANISM.
By Geoffrey Williamson.
Watts. 236 pages. 12s. 6d.

MR WILLIAMSON set out to write two articles on Moral Rearmament. He ended by writing a book. That is typical. The movement does not believe in doing things by halves or in inspiring other people to do so; anyone who makes it his business to nose about is liable either to be converted to the movement himself or to go away with the feeling that there is something both bogus and a little ridiculous about it.

The first half of this book describes Mr Williamson's experiences in preparing for, and visiting, one of the periodic world conferences held by Moral Rearmament at their headquarters at Caux in Switzerland. In catching the atmosphere of these remarkable gatherings, the author is at his most successful, if at his least ambitious. In the second half he tries to analyse why he found the movement so unsatisfactory as a factor in changing the shape of the world and defeating communism—and to probe a little deeper than acolytes usually like into the organisation and finances. The ex-athletes and other happy souls who contrive to bump along in MRA without any noticeable theories on theology, philosophy, politics or economics are naturally perfectly content with "God-guidance" as a substitute for rules. But to people like Mr Williamson, the nature of the movement's hierarchy, the source and distribution of money, the position of Dr Buchman himself are subjects of enthralling importance.

The author and his subject matter were thus at cross-purposes from the start; and it is hardly surprising that Mr Williamson seems sometimes to have confused the wrong-headed with the sinister. He is not, after all, alone in having his doubts about a religious movement that dabbles so extravagantly in politics, or about the wisdom of fighting communism with a lot of catch-phrases dressed up to look like an ideology; but these views should not lead to unnecessary imputations of dishonesty. The most interesting chapter of this book is not, however, to be found between its two covers. According to Mr Williamson's own account, the trouble began only when he had written it; he and his publishers were then pursued and delayed by threats of libel action. Mr Williamson has his waspish moments; and his methods are those of a journalist looking for a story, rather than a research worker looking for the truth. But so slight a book seems hardly worthy of so much fuss.

New Look on Brazil

LES TROIS AGES DU BRESIL.
By Charles Morazé.
Armand Colin, Paris. 198 pages. 15s.

OF the younger school of French historians, those grouped about the journal *Annales*, M. Charles Morazé has made a rapid reputation as the *enfant terrible*. It would, however, be more than an injustice to leave it at that. His present contribution to the admirable series of *cahiers* put out by the *Fondation Nationale des Sciences Politiques* shows both his strength and his weaknesses. There is the usual fertility of original ideas—Monsieur Morazé gets more ideas into a page than most conventional historians or political scientists do into a volume—there are the usual brilliant and unexpected parallels, and occasionally there is some curious misconception about a familiar point that awakens one's distrust when Monsieur Morazé comes to deal with what few of his readers are likely to know much about, the politics of Brazil. Nevertheless, M. Morazé is fundamentally a serious scholar with a serious purpose. His material for this pioneer study was gathered during three years' teaching of politics at the University of São Paulo, where he was largely responsible for introducing the study of the subject in its modern form. The brevity of the book is itself deceptive, because much of the economic and political information is presented in graphical form; and behind the diagrams lies an appreciable effort in collecting and evaluating statistics.

Even those who are uninterested in Brazil itself may find the book fascinating, because it embodies a conscious attempt to apply to a totally unfamiliar set of problems those techniques of political analysis of which M. André Siegfried was the pioneer and of which M. François Goguel is the best known current exponent. From another point of view, what M. Morazé is trying to do is to reintroduce into sociology and political science the time-factor which is so neglected, particularly where the influence of American academic habits is strong. And Brazil is a particularly fortunate terrain for this experiment, since it is a place where time has been speeded up at a rate unequalled anywhere, except, perhaps, in an inaccessible Siberia. Until half way through the nineteenth century, the parallelism in the development of Brazilian and Western European politics, especially those of France, had been very marked ever since the French Revolution; but the industrial surge of the mid-nineteenth century and its political concomitants missed Brazil. Brazil had its 1848 in 1930; and since then industrial advance and new forms of internal colonisation have created new political forces based on the growing self-consciousness of new bourgeois and proletarian elements. Will the old interdependence of administration and politics persist or will Brazil follow the modern pattern of an impersonal bureaucracy and competing ideological and class parties? Much needs to happen before one can be sure of the answer, both in the economy and in the educational field. Meanwhile the aircraft, radio and television are having their impact on a country too big for the railway age to unite. It is a superb canvas, and the big brush-strokes with which M. Morazé paints in the astonishing career of Getulio Vargas (Brazil's Louis Napoleon) leave one with a wish for some more meticulous landscape.

M. Morazé's combination of economic history and sociological analysis, whatever its imperfections, marks an enormous step forward from the viewpoint of a properly descriptive political science—one that transcends legal categories. We badly need similar studies of other countries undergoing or attempting a rapid change to a more highly diversified economy and social system—India for instance. For all the talk of French decadence they are more likely to come from French scholars than from some petrified academies where only the dead are interesting and respectable—the nakedly abstract and the dead.

Points for Pleasures

THE COMMUNICATION OF IDEAS.
By T. Cauter and J. S. Downham.
Chatto & Windus. 342 pages. 25s.

AT the beginning of 1953 the authors directed a sample survey of the leisure activities of the population aged 16-69 living in Derby and its suburbs. Each of the 3,000 respondents was questioned about the extent of his reading of newspapers, magazines and books; listening to radio and looking at television; cinema and theatre-going; use of public transport; attendances at pubs, churches and adult education classes; participation in various sports, hobbies and political parties; and membership of clubs and other voluntary associations. The results occupy two-thirds of the book and agree closely with those of similar studies of urban English life—the average person reads several newspapers and magazines each week and listens methodically to the BBC; additionally, if he is young he is likely to spend much of his leisure at cinemas, dance halls and sports grounds; if he is middle-class he will be more prone than others to attend church and to take part in voluntary associations.

The real interest of the book lies in the authors' "index of intercommunication." They postulate that ten of these leisure activities are important channels for the transmission of ideas and information (looking at television, listening to radio, reading newspapers, watching films, attending church, sitting in pubs, etc.). As a next step each person interviewed was awarded points—up to a maximum of ten—according to the extent of his participation in each of these activities. The possible scores could thus range from 0 to 100; in fact, well over half the sample earned between 35 and 55 points, and for different sections of the population the median score ranged from 42 to 53.

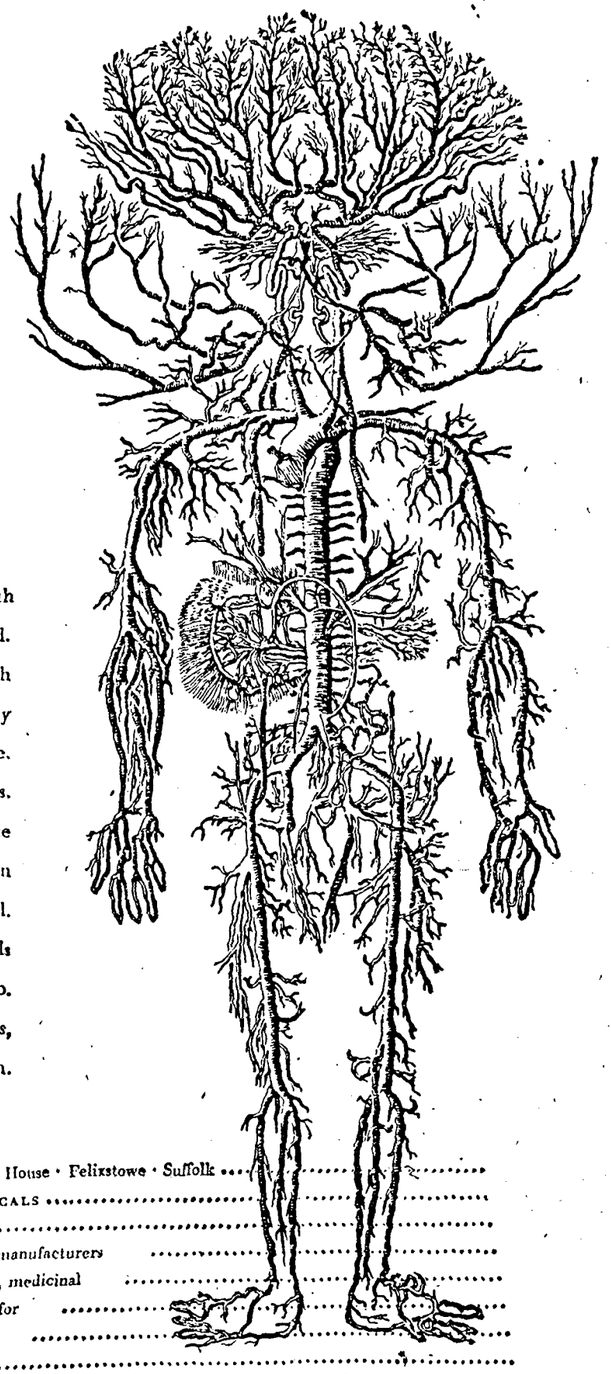
It is difficult to accept the index in its present form as anything more than a bright notion. In the communication of ideas it is unlikely that going to the cinema and reading books are of equal significance; similarly it is improbable that equal weight should be given to listening to a dance band and listening to a Third Programme discussion on "Is a Theory of Knowledge Possible?"

The book's fundamental disappointment lies in the authors' complete failure

man and tree

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Markets in the Middle East

Report of the United Kingdom Trade Mission to Iraq, Kuwait, the Lebanon, Syria and Saudi Arabia. (November-December, 1953.) 5*s.* (5*s.* 3*d.* by post)

Economic and Commercial Conditions in Costa Rica

January, 1954. 1*s.* 6*d.* (1*s.* 7½*d.* by post)

H.M. STATIONERY OFFICE

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to attempt to validate their basic assumption—that there is a direct relationship between a packed leisure life and the acquisition of new ideas. No attempt was made to establish any relationship between each person's score and his stock of knowledge and the calibre of his ideas. Until this has been done the authors' index of intercommunication could be more appropriately described as an index of the consumption of commercially-organised leisure activities.

Guide to Finance

BRITISH PUBLIC FINANCES. *Their Structure and Development*, 1880-1952. By Ursula K. Hicks.
Oxford University Press. 233 pages. 6s.

THE editors of the Home University Library assure us on their dust cover that their selected authors, besides being distinguished academically, "are skilled in the art of presenting their material, and able to unite learning with lucidity." There can be no doubt of Mrs. Hicks's learning—in the field of descriptive public finance it is unique—but in this book she scores only a moderate mark for lucidity. In part this is due to the very large amount of material which she has compressed into a small book. The difficulty is accentuated, however, by a use of statistics which is not always happy, by some apparently hurried writing and by a weakness for jargon. "Universalisation," "non-substitutability," "disequalising," "annuality," "regularisation" and "percentagewise" are a few of a long list of words that deserve the attention of Sir Alan Herbert.

An opening chapter gives a brief outline of the growth of public authorities and brings out the steady expansion of the central government and the relative decline in the importance of local authorities. The chapter on public expenditure emphasises the importance of social services and housing and poses, though it does not answer, the important question of how the demand for these services is to be kept within bounds while they are offered on terms that conceal their true cost from those who use them. The chapters on taxation and on local finance both contain much useful information in a very compact form. The discussion of "Budget balance and national balance" traces the change in views on the function of the budget, introduces the reader to a few of the ideas of modern social accounting, and suggests possible improvements in the form of public accounts. This chapter would have been made more helpful by a clearer definition of terms at the beginning and by the inclusion of specimens of the present and of the desired form of accounts. Finally, there is a fairly long discussion of loan finance and debt management. It contains some useful material, illustrated by charts, on the structure of interest rates, but on the whole the author appears less at home in the City than in Whitehall. There is some confusion about the relationship between government borrowing, bank deposits and interest rates.

The book contains a lot of good material on a subject where good books are sadly few, but it is likely to be too difficult for the uninitiated reader. Its main usefulness (as was probably intended) will be for the student with a general training in economics who requires to know something of public finance, but who lacks either the time or the inclination to read very deeply in the subject.

Shorter Notice

RETIRE AND ENJOY IT.
By Cecil Chisholm.
Phoenix House. 240 pages. 15s.

This sensible, easily-flowing, unpretentious vademecum for the retired and for those contemplating retirement does a good deal to fill a want so obviously felt, in these days of lengthening life-expectancy and shrunken "fixed" incomes, that one wonders why no one has written something like it before. Mr Chisholm deals with the nasty shocks, psychological and economic, which retirement can bring; dwells on the merits of deliberate planning—the tapering-off programme wherever possible, the attitude of "retiring-to" rather than "retiring-from"; discusses the choice of a locality and home for economy, convenience, congeniality; is realistic about budgets; gives good though necessarily very sketchy advice about health; lists forty-three ways of spare-time money-earning, some sixty hobbies, and a dozen forms of social and civic service, and moreover indicates how to set about them; and winds up with a word on the wife's point of view. His handbook is not comprehensive. (A companion volume treating budgets and earnings in more detail is due later.) Hardly a word indicates that a retired couple may have children and grandchildren, friends and acquaintances, whose existence may either ease or complicate their plans; throughout it is assumed that any roots which they may have struck are purely professional. There is not a word, either, about the problems of the really old, from the further "tapering" of activity which must gradually go on through the seventies and eighties to the possibilities of care, comfort and happiness when physical dependence must be conceded. This can, however, fairly be regarded as a separate topic and from the psychological point of view best kept so; and one can always read the *De Senectute* to be going on with.

Books Received

BIBLIOGRAPHY ON INCOME AND WEALTH. VOLUME III, 1950.
Edited by Phyllis Deane. *Bowes and Bowes.* 66 pages. 37s. 6d.

This third volume in the series of bibliographies produced by the International Association for Research on Income and Wealth records material published in more than forty countries during 1950.

FOREIGN TRADE ZONES IN THE USA.
OEEC, Paris. 67 pages. 4s. 6d.

THE HOOVER LIBRARY COLLECTION ON RUSSIA.
By Witold S. Sworakowski. *Stanford University Press* (London: *Geoffrey Cumberlege*). 42 pages. 8s.

APPLIED ELECTRONICS ANNUAL 1953-54.
Edited by R. E. Blaise. *British-Continental Trade Press.* 257 pages. £1.

NON-FERROUS HEAVY METAL FABRICATION IN THE USA.
OEEC, Paris. 253 pages.

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.

Washington Weekend

Washington, DC

WHENEVER any British statesman is about to come to Washington American officialdom begins to burnish its armour, in deference to an unshakable national belief in the Machiavellian cunning of British diplomacy and its designs on the simple virtue of the United States. But in the week before Sir Winston and Mr Eden took wing it was clear that this time the American breastplate was being buckled on with special care. The reminder was discreetly allowed to circulate that the United States and Britain are formally allied only through the North Atlantic Treaty Organisation and in Europe, and in the columns of the diplomatic correspondents there appeared an officially inspired list of grievances against British policy. These included the now famous misunderstanding in April about the urgency with which a South Asian security organisation would be discussed; annoyance at the candour with which the Foreign Office is now mentioning alternatives to the European Defence Community and the possibility of bringing Germany into Nato. The list contained several specific grounds of complaint against British policy in the Middle East, and was capped by a general expression of regret that the exigencies of the European situation should make it necessary for the United States to be allied with the colonial powers.

On top of this came Mr Eden's speech in the House of Commons with its unlucky use of the word "Locarno," and its omission of any reference to Mr Dulles, which was accepted as a studied insult to the latter. Although "Locarno" has sent cold shivers down American spines every time the Prime Minister or the Foreign Secretary has used the word, partly because it has come to be regarded as a synonym for "appeasement," the current *malaise* of the alliance was never better illustrated than by the way in which the American press distorted Mr Eden's suggestions on South-East Asian security arrangements. But it was universally felt that the suggestion was ill-timed, the more so since Mr Eden had been guilty of breaking the rules of the alliance in the same way as Mr Dulles has so frequently done, by springing a new idea upon the world without first consulting, in this case without even informing, his partner.

In addition to these irritants, there were two other difficulties apparent before the great aircraft *Canopus* alighted at Washington airport. One was that the departure of M. Bidault and the arrival of M. Mendès-France had, in advance, rendered the Anglo-American meeting virtually powerless to take concrete decisions, either about Indo-China or about Europe. The other was that the problem of Guatemala was dominating the minds of Mr Dulles and other members of the Administration, almost to the exclusion of every other subject.

★

Under these circumstances, what is surprising is not the rather limited and short-term agreements that were arrived at, but that agreement of any kind between the four principals was possible. On the working level some useful results did emerge, a closer co-ordination of ideas on Middle Eastern policy, made easier by the probable acceptance of the new British proposals to Egypt, some new thoughts on Trieste, and a decision to try to apply the Trieste formula—namely, long joint discussions with each party in turn—to Arab-Israel relations. The meeting ratified two inevitable developments, the restoration of German sovereignty if the French assembly does not agree to EDC this summer, and the beginning of serious consideration of a South-East Asia Treaty Organisation.

Whether these decisions might not have been arrived at as easily through ordinary diplomatic channels without recourse to personal diplomacy is open to question; it is a sign of decreasing Anglo-American friction that their implementation will now be discussed in those channels. Certainly the device of preliminary bilateral talks between the British Embassy and the State Department on SEATO with each keeping its own particular friends informed, the Commonwealth and Burma on the one hand and the Philippines and Siam on the other, seems a happy one; it meets Mr Dulles's sense of urgency while not abandoning Mr Eden's point that initial planning should not prejudge SEATO's eventual membership.

Most of what Sir Winston said to President Eisenhower will never be known, for they did much of their talking in the strictest privacy. But it was Sir Winston who dominated the week-end as far as the American public were concerned, and the largest recorded assemblage of its kind convened at a press luncheon to hear him make his plea for an examination of the possibilities of "peaceful co-existence." Certainly his dexterous handling of questions and his general sense of sober gaiety—he was looking five or ten years younger than when the American press had last seen him at the Bermuda conference—dispelled any belief that the British government is in senile hands, as certain recent American official visitors to London had reported. On the contrary, his public appearances and the

respect his words commanded have made many Americans wonder how the alliance can ever afford to dispense with his services, for there is no other European statesman, certainly not Mr Eden, who can speak with anything like the same authority to the American public. It is partly his venerableness (he was First Lord of the Admiralty in the year President Eisenhower became a Second Lieutenant), combined with the youthfulness of his imagery, partly the earthy quality which aristocratic blood confers, that makes him so much more respected by the average American than the conventional products of English middle-class schooling.

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However, the depth of the cleavages between the American and the British attitude towards Communist China was demonstrated before Sir Winston's ship had been a day at sea on his return journey. Then Senator Knowland, the Republican leader in the Senate, stated on the floor that, if Communist China were to be admitted to the United Nations by majority sentiment in the coming General Assembly, he would quit the Republican leadership and campaign for the withdrawal of the United States from the United Nations. This started a two-day debate which showed that, except for a few of the more courageous Democrats, no politician is at this moment prepared to face the political implications of a revision of the American attitude towards Communist China.

Sir Winston's name was associated with this sudden eruption because it became known that he had warned the President that there would be a majority for admitting China at the next assembly. This warning became perverted into a superheated belief that Britain and France are prepared to back Communist China's admission as the price of a settlement in Indo-China. The result of letting this privately expressed view become public has been once again to tie the Administration's hands and eliminate any possible flexibility in the handling of Far Eastern questions for the time being.

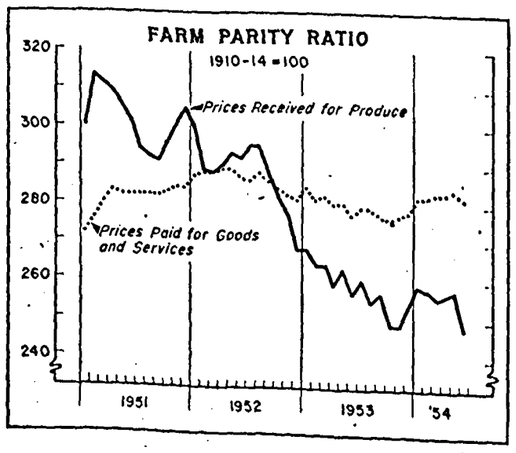
Despite the fact that it was the President rather than Sir Winston who drafted most of the lofty sentiments of the "Potomac Charter," and although he expressed his own qualified belief in "co-existence" at his press conference, there are few indications that Sir Winston has persuaded Mr Eisenhower that his foreign policy would show a more consistent appearance if he would exert and enforce his own judgment in this field. The babel of Administration voices was more high pitched than ever after Sir Winston left, and revealed in a matter of days the extent to which the glowing phrases of the charter and the communiqué were merely a high polish on a cracked surface. There is no evidence that the President has decided whether he will choose between his party and *Time* magazine (which now advances a more intellectual form of Knowlandism) on the one hand and his allies on the other.

But the raucous aftermath of the Prime Minister's visit was perhaps inevitable, and is connected with the most important reason why Americans listen to him so closely, his capacity for knowing now what they will be thinking two years hence. This Cassandra-like quality, of which he seems well aware, has made him content to risk unpopularity on what may be his last visit, just as he did in warning them of the Soviet menace at Fulton in 1946. The sharpness of the reaction to co-existence is primarily a tribute to his power to make Americans face unpleasant realities.

On the Right Farm Road

PRESIDENT EISENHOWER'S unexpected and striking success, probably to be repeated in the Senate, in obtaining from the House of Representatives a farm Bill that moves in the direction he wants, towards flexible instead of rigid supports for agricultural products, proves that progress can be achieved along the middle of the road, in spite of Congress. It also provides a text-book lesson, which it is to be hoped the President will not forget, of the political methods by which such progress can be achieved.

From the moment when the request for new farm legislation went to Congress, the President and his Secretary of Agriculture both refused to be pushed even an inch away from the principle that high and fixed price supports are responsible for the present overproduction of farm commodities, which is imposing an unbearable burden of agricultural surpluses on the country, and that the only remedy is a flexible price system which would permit the level of supports to fall or rise with supply and demand.



When both the House and Senate committees insisted on the maintenance of supports at 90 per cent of parity—the price which is supposed to ensure the farmer a fair return for what he sells in terms of what he buys—the Administration brought indirect pressure to bear on Congress, by going on the air to put the government case directly to taxpayers and housewives, and direct pressure by reminding Republican members that, if they wanted the President's help in the election, they had better give him their help now.

On the ground thus prepared, as the Bill came to a vote in the House, the Administration threw a compromise offer; flexible price supports for the basic crops ranging from 90 per cent down to only 82½, instead of 75, per cent of parity would be accepted, but if Congress insisted on 90, and only 90, the Bill would be vetoed. This reminded representatives of wool-growing and dairying states that they might lose the special benefits the Bill contains for them, and representatives of all farm areas that a veto, leaving existing legislation in force, would mean an even sharper fall in price supports next year than the President proposes.

These clever political tactics chipped enough pieces off the farm block, never as solid as it seems, to give the President's compromise a satisfactory majority. Meanwhile, however, the parity ratio, the statistical expression of the farmer's purchasing power, is lower than it has been for thirteen years, and provides impressive evidence for the angry arguments of the congressional farm leaders; they maintain that the farmer has suffered enough recently and that the President is jeopardising the prosperity of the whole country by weakening the support given to the most vulnerable section of the economy.

Banana Split

IF the Department of Justice were concerned with psychological warfare, it would be being congratulated on the timing of its anti-trust suit against the United Fruit Company. For this firm, through the ramifications of the banana trade which is its main interest, has become the largest single investor in the seven Central American republics and exercises a dominant influence on their economies. This monopoly has thus become the symbol of "Yankee imperialism," and the Communists who have been infiltrating the area from Guatemala have made the company the focus of the anti-American feeling that they have been fostering.

When the United States played an open, even if not active, part in the Guatemalan revolution, there was a natural tendency in Latin America to believe that the State Department was concerned not so much with saving the western hemisphere from Communism as with saving the United Fruit Company from expropriation. The Department of Justice's attempt to split up the company, coming just as the revolution was settled in a satisfactorily anti-Communist way, should provide an antidote to these suspicions. It may be more effective from a propaganda point of view even than the medical supplies which were rushed to the support of the new government in Guatemala over the Fourth of July holiday, or the increased technical aid for Latin America which is being proposed in the Senate in order to "solidify anti-Communist gains."

One of the United Fruit Company's replies to the anti-trust charges is that it, a private investor doing its duty with educational, labour, health and welfare programmes, has been far more active than has the US government in attacking poverty, developing prosperity, and thus countering Communism, in Central America. Justified as are these claims, and adequately as they answer accusations that the company is exploiting the "banana republics," they have little relevance to the Department of Justice's case. This, in effect outlining the basic causes of Central American resentment against United Fruit, is that for nearly twenty years the company has imported two-thirds of the bananas brought into the United States, that it has obtained control of nearly all the banana growing land in seven countries, and of the transport facilities, on land and sea, used in marketing bananas, that it has driven competitors out of business by price cutting and coerced customers by threatening to withdraw supplies. This integrated system of operation, the company argues, is necessary as an insurance against local conditions, whether meteorological or political, which might interfere with the steady supply of bananas upon which distributors insist.

Political Dividends

IN giving the President a second large and welcome instalment of his legislative programme—approval of the tax Bill already passed by the House—the Senate executed manœuvres even more confusing than those of the House on the farm legislation. Most of the 900-page Bill, the first general tax reform measure since the beginning of the century, is too technical to make partisan issues, or even controversies for anyone but experts. But one clause, providing for tax reliefs on dividend payments, more than makes up for the lack of political interest elsewhere. Designed to reduce double taxation on corporate profits and shareholders' incomes, this clause is intended to encourage investment and is the Republican method of ensuring that the national economy will go on expanding. A more immediately effective way of doing that would be to reduce the taxes paid by lower income groups, according to the Democrats; they maintain that the real inspiration of the dividend proposal is the Republican desire to favour the wealthy and the business man rather than the wage-earner.

The Democrats were narrowly defeated on this question in the House and by the time the Bill reached the Senate floor the economic situation was so much improved that the argument for quick income tax reliefs to encourage consumer spending was weakened. But by that time also the November elections were nearer and the argument for doing something for the average voter was strengthened. Many Republican Senators felt that they dare not oppose the Democratic attempt to exempt more income from taxation unless their own party offered some alternative concession. Senator Millikin came to the rescue with an amendment borrowed from an earlier Democratic proposal. He offered a small income tax concession to most taxpayers and offset the consequent loss of revenue by a reduction in the suggested tax reliefs on dividend income.

In the end both income tax amendments were defeated, but so was all except a small fraction—exemption from taxation of the first $50 of all dividend income—of the original dividend relief proposals. As a result members of both parties will now be able to tell the electorate that they did their unsuccessful best to get income taxes reduced, and the Treasury is left with the prospect of more revenue than it asked for. However, some, if not all, of the dividend tax reliefs are likely to be restored by the representatives of the House and the Senate who must now agree on the hundreds of variations in the two versions of the Bill.

Short-Circuiting McCarthy

AT first sight it would seem unlikely that anything constructive could come out of hearings on the various proposals for improved procedures for congressional committees, since these hearings are being held by Senator Jenner, one of Senator McCarthy's closest sympathisers, sitting frequently as a one-man committee, one of the practices which the new proposals are designed to check. Nevertheless, the chances are better than they were a few weeks ago that the Senate may at this session adopt a new code that may even, unlike its predecessors, prove effective.

For the nine reforms which have not only been unanimously approved, but also recommended for early consideration in the Senate, by the Republican Policy Committee would be mandatory.

Previously the application of such rules has been left to the discretion of committee chairmen and this is the first time that the Policy Committee has put its weight behind mandatory proposals. This unusual willingness to yield to the pressure for reforming congressional investigatory procedures—something which only Congress itself can undertake—is further evidence of the growing strength of that pressure, which has resulted from the public reaction to the recent display of Senator McCarthy's methods on television, and of the growing belief among Republicans that they will reap more political profits next November from curbing Mr McCarthy than from encouraging him.

The Senator himself has been in hiding since the end of the hearings on his dispute with the Army, but it has been generally expected that he would return to the limelight with a renewal of his attack on the highly secret Central Intelligence Agency, which was blocked last year by the firmness of its head, Mr Allen Dulles, the Secretary of State's brother. This latest attempt to investigate Communist infiltration into the agency is being hampered by the refusal of the Department of Defence to give a security clearance to two of the Senator's more notorious investigators. Now the Hoover Commission on the reorganisation of the government has taken the initiative from him by choosing this moment—unintentionally, it is claimed—to appoint a "task force," headed by General Mark Clark, to study the structure and administration of the CIA. Senator Mansfield, reflecting the not entirely unjustified concern at the almost complete lack of congressional supervision of the agency, has also suggested that there should be a Joint Congressional Committee on Central Intelligence, comparable to the one on Atomic Energy.

Who Wants Machine Tools?

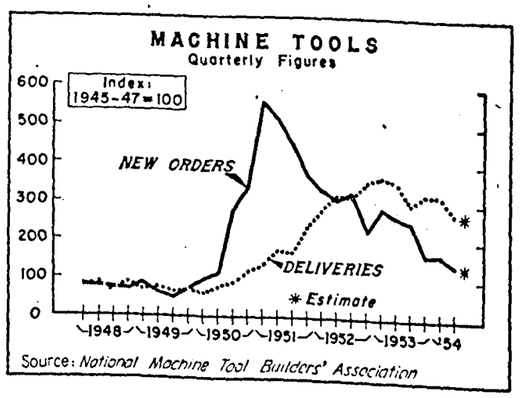
New York

THE makers of machine tools, who produced more last year than at any time since American industry "tooled-up" for the second world war, are now deeply concerned at the diminishing flow of new orders for these mechanised essentials of mass production. Since schedules and deliveries of these machines that make machines have been maintained at rates only slightly below those of last year, the backlog of unfilled orders has shrunk from the equivalent of over 7½ months' output a year ago to well under 4 months' today, and this sharp fall is expected to continue.

The main reason for the decline in new orders is the virtual withdrawal of the government as a buyer of machine tools. Unless there is a major change of policy, the Defence Department's requirements, except for replacements and spare parts, are now largely filled. A special appropriation of $250 million for the production and stockpiling, as a wartime reserve, of the "elephant tools" which take a year or more to build was made by Congress last year, but not used. This year the department has been allowed only $100 million, and much of that is to be spent on the construction of special storehouses rather than on the tools.

The industry has, therefore, now to rely on the civilian market, which, although still active, does not take the place of the government orders. Civilian users, also, have now completed most of their big tooling programmes, or have at least had the tools for them on order for some months.

More intensive competition between firms in the big machine tool-using industries, of which the automobile makers provide the most striking example, has encouraged them to buy new tools in order to cut costs. This demand is not for standard single-job machine tools, but for large and complex multiple-function tools designed individually for automatic "pushbutton" operations. Therefore, while most of the makers of these special tools have enough orders to maintain full production until well into 1955, the standard tool makers, who comprise the greater part of the industry, can in many cases already fill new orders out of stock, and are now anxiously searching for new markets.



One solution, already being widely adopted by the standard tool makers, is to go into the production of "specials" themselves. Some assistance is looked for from the accelerated depreciation allowances in the new tax Bill which, it is hoped, will stimulate orders for machine tools. Optimistic machine tool builders can also point to the high proportion of obsolescent tools still in use and in need of replacement. According to a survey made by the *American Machinist*, more than a million machine tools, or over 55 per cent of all machine tools installed in American factories, are over ten years old; nearly 20 per cent are over twenty years old.

Repairing the Slums

FROM A SPECIAL CORRESPONDENT

THE deadlock between the two Houses of Congress over President Eisenhower's Housing Bill, which arose mainly over the question of continuing even his small-scale public housing programme, draws attention to the slums which are the greatest blot on the American standard of living. The 1950 housing census revealed that, of the 39 million dwellings (excluding farms) in the United States, 7.4 million have no private flush toilet, 8.3 million have no bath, and 2 million are overcrowded on a definition (more than 1½ persons to a room) that is, by English standards, not at all stringent. It is generally accepted

that a third of America's dwellings are sub-standard, and that perhaps five million are slums. Some of these slums are far worse than anything that exists in Great Britain.

Bad housing is, however, only the worst aspect of the broader problem of urban blight. As in Britain, the early impact of industrialisation has left its grimy mark on the face of American cities, while the rate of urban growth has been still faster and the pace of land speculation more feverish. Most of those who can have fled the rotting central areas, taking their taxable capacity with them to the haven of separate municipalities beyond the city boundary. They have left behind in many big cities a formidable legacy of civic inefficiency and bankruptcy. These problems are now slowly being tackled, but their existence has confirmed the old American belief which identifies the city with vice, the country (and now the suburb) with virtue.

This urban decay has spread over broad areas. In Chicago, for example, 22 square miles are classified as blighted, and a further 56 square miles are "conservation areas"—that is, areas in which the authorities (or some of them) are fighting hard to prevent the decay growing. The influx of many thousands of Negroes, lured from the rural South by plentiful work and high wages, has added to the social problems and caused ugly undertones of racial conflict. But new Cadillacs stand in the main streets amid the uncollected rubbish; and in the slatternly wooden houses the inevitable television sets and refrigerators testify to the reality of American prosperity.

From New Deal days on, there has been no lack of federal action in the housing field; but it has been action designed primarily to protect and encourage the vast market for home ownership and has been based on a partnership between the federal government and the lending institutions. The principle of this partnership to date has been that the government has taken most of the risk (by insuring mortgages and advancing loans on generous terms), while private lending and loan associations have made steady profits. The government is undoubtedly in housing to stay, and the heated debate now raging concerns only the proper limits of its role.

*

Federal backing has certainly had an enormous effect on private housing activity, although the opportunity of insisting on high standards of design and lay-out has not been taken. But it has done nothing for that large section of Americans who, even on a generous mortgage basis, cannot afford to buy a home of their own. Houses have been going up at the rate of about 1.2 million a year, which is slightly more per head of population than the rate of building in Britain. But it has been estimated that in order to clear the slums within twenty years, as well as to provide for a rapidly growing population, the annual rate should be at least two million houses.

The attack on urban blight and slums has been a separate and much smaller part of the federal housing programme and progress has been slow because of the strong opposition of the real estate lobby in Congress.

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STATEMENT OF CONDITION, JUNE 30, 1954

RESOURCES		LIABILITIES	
Cash and Due from Banks	$1,372,624,418.89	Deposits	$5,174,415,072.21
U.S. Government Obligations	1,267,914,789.71	Foreign Funds Borrowed	9,180,187.00
State, Municipal and Other Securities	579,420,233.30	Reserves—Taxes and Expenses	28,612,680.61
Mortgages	68,363,286.85	Other Liabilities	24,527,167.51
Loans	2,282,637,187.22	Acceptances Outstanding	57,463,031.83
Accrued Interest Receivable	14,833,453.13	*Less: In Portfolio*	*5,771,018.05*
Customers' Acceptance Liability	50,757,207.64	Capital Funds:	
Banking Houses	32,103,593.51	Capital Stock (7,400,000 Shares—$15 Par) $111,000,000.00	
Other Assets	10,072,341.58	Surplus 219,000,000.00	
		Undivided Profits 60,299,390.72	
			390,299,390.72
	$5,678,726,511.83		$5,678,726,511.83

United States Government and other securities carried at $487,691,260.00 were pledged to secure public and trust deposits and for other purposes as required or permitted by law.

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Federal action in this field has passed through two phases and is now entering a third. The first phase, launched with enthusiasm in the heyday of the New Deal, was that of public housing loosely linked with slum clearance. But congressional and public suspicions of this "socialistic" device kept this programme throughout to a small scale. In 1949 President Truman called for 135,000 public housing units a year, but Congress never allowed funds for more than 35,000. President Eisenhower, bowing to a stiff Republican breeze, has asked for a continuation of this annual figure of 35,000, but he is not likely in fact to get even as many as that.

This represents about 3 per cent of total housing construction and cannot make much of a dent on the slum problem. Moreover, there is a stiff eligibility test for public housing in that a tenant's income must not exceed five times his rent; by contrast the average occupant of an English council house pays less than a tenth of his income in rent and rates. There are many American families too rich for public housing but still too poor to buy their own home. There are only a few public schemes, such as the unsubsidised "middle-income" projects of the New York Housing Authority, which cater for this group.

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The second phase of federal action came with Title I of the 1949 Housing Act. This was an interesting compromise between the social reformers and real estate interests, both groups hoping to turn it to their own purpose. It provided for federal loans and grants to cover two-thirds of the loss on local schemes for the rehabilitation of "blighted" areas. The local authority was to carry out the unprofitable functions of assembling, clearing, and laying out the land, while the actual redevelopment would normally be done by private enterprise. In this way both the slums would be cleared and business would be stimulated.

This policy has been more successful from a business than from a social angle. Many slums have been replaced with glossy commercial or industrial premises or with middle-class housing, such as Stuyvesant Town in New York. In theory, a redevelopment project can be used to promote public or low-cost housing. But in practice this has hardly occurred, partly because of high site costs and partly because of the antipathy frequently existing between the separate local agencies responsible by law for public housing and urban redevelopment. The former is sometimes the preserve of social reformers, the latter has tended to be dominated by business groups.

The weakness of Title I schemes has been that they have shifted rather than eliminated the areas of urban blight. The Act does impose a duty to make some provision for the needs of the displaced inhabitants—an obligation that has been variously discharged and has often slowed up progress. But virtually none of the redevelopment schemes has brought any addition to the stock of low-income housing. The slum dwellers have moved elsewhere to add to the overcrowding of other areas. The programme's epitaph may be that it has produced small islands of grandeur in a swelling sea of urban decay.

A third phase in federal policy is now starting. The scientific case worker, dealing with the deserving poor, used to describe the final phase of her activity as "total social treatment." The Republican Housing Administrator, Mr Cole, is putting his trust in the similar concept of "total urban renewal."

A prime part of the treatment will be to coerce or persuade private owners to put their dwellings in decent condition. A whole armoury of local weapons, such as health and building regulations and zoning laws, can be brought to bear on a recalcitrant owner. The difficulties are to achieve the necessary co-ordination among the various city departments and to persuade the local public to accept the need for drastic action. That this policy can be effective is shown by the example of Baltimore, which has codified its laws, unified their enforcement, brought out violations by large-scale searches and hailed offenders before a special housing court.

Mr Cole hopes to persuade other cities to follow this example by making efficient local action a condition of federal aid. The new Bill provides that federal assistance shall be available towards the whole costs of an "urban renewal" project; and it offers federal mortgage insurance on favourable terms for the rebuilding or renovation of houses in renewal areas. It remains doubtful whether these variants of "make do and mend" will add up to a successful policy or will enable the government, as President Eisenhower hopes, to get out of public housing activity altogether. But at least the new proposals have a business-like air and will lay, for the time at least, the spectre of a large-scale programme of public housing.

SHORTER NOTES

On further consideration the steel companies have calculated that the combined cost of the increases in wages and pension and social insurance benefits granted to the trade union last week will be at least 9 cents an hour and for some firms as much as 12 cents. Nevertheless, the rise in steel prices is being held down to $3 a ton, not enough to cover the full increase in costs, in the interests of steel consumers. Most producers of durable goods are expected to absorb this increase, rather than to try to pass it on to their customers, who are showing a marked reluctance to buy even at present prices.

*

The Phillips Petroleum Company has appealed to the Supreme Court to reconsider its decision subjecting natural gas producers and gatherers to regulation by the Federal Power Commission. The Phillips petition complains that the interpretation of the Natural Gas Act adopted by the majority of the Court suggests a "sweeping extension" of federal control, more than fifteen years after the passage of the Act, to a whole industry not hitherto subject to regulation by the federal government and into an area formerly occupied solely by the states.

*

New York City plans to raise about $17 million of its $1.6 billion budget from a five per cent tax on the amusement business. The Bill authorising the new tax on admissions became effective on July 1st, in spite of the violent protests of the Motion Picture Operators and the Association of Theatre and Stage Employees against this dashing of the hopes recently raised by the reduction in the federal excise tax on entertainments.

The World Overseas

Italy Between Left and Right

FROM OUR ROME CORRESPONDENT

CALCULATED in purely parliamentary terms, the Italian government's position has recently improved. The secessionist group of Lauro Monarchists has raised its majority above the danger line, and the orthodox Monarchists, conscious of their decline in the country, can no longer be counted as a vital opposition force.

Yet one has only to look a little beyond these tactical considerations to realise that this very accession of strength has merely sharpened the divergences inside the government and, more particularly, within the main party in power, the Christian Democrats. This party has never been able to make up its mind whether its central plank should be that of defending the interests of the small group of wealthy industrialists and landowners who control practically all the levers of power in Italy, or that of pressing a programme of economic reform which would raise the deplorably low standard of both living and productivity; if this were done, it might transform what is in effect a highly authoritarian state, where the average man is a subject rather than a citizen, into something more truly resembling an Anglo-Saxon or Scandinavian democracy.

Hitherto, Signor De Gasperi, in spite of praiseworthy attempts to temper the wind, has maintained intact the existing social and economic structure. The inevitable answer has been a steady increase in the forces of the extreme Left. At the Naples Congress of the Christian Democrat party which is just over, he took his leave as leader, in fact if not in name. Discouraged and sad, he must have realised that something had gone astray with the programme which he had so obviously believed was inspired and infallible. He can now, as one observer unkindly put it, write his memoirs.

Left Formula, Right Fact

His successor, Signor Fanfani, belongs to a new and more flexible generation. He realises clearly enough the nature and extent of the problems to be tackled if the present profound crisis is to be overcome, and he has identified himself in the public mind with a vigorous programme of reforms. Whether he will be able to carry them out is another matter. But the need has never been more urgent. For the fact is that the left-wing programme usually associated with the government is now no more than a formula. The right wing has secured the acceptance of its views to the extent that there will be no attempt by the government to control the monopolistic interests which run Italian industry—under the curious arrangement by which industry pockets the profits and the State meets any loss. A ten-year plan is being elaborated, not on economic but on largely political principles, and it will be financed through the European Payments Union, with American backing; but though it may help to modernise industry, it will not have much effect in inducing industrialists to step up production and accept a lower margin of profit.

The only hopeful economic development is that the door will be open to foreign capital, which will receive government guarantees; foreign firms will probably soon be able to compete in the fields, such as oil, which are controlled by the government. The curtain of silence which has hitherto been drawn over the activities of the American Gulf Company and the Anglo-Iranian Oil Company, which have been successful in finding oil in Sicily owing to the enlightened policy of the Sicilian regional government, has now been raised, and there seems every prospect that American oil firms will start to exploit the rich deposits which are believed to exist in Italy proper.

Minister with Tied Hands

In agriculture, the trend is away from the broad, fairly long-term schemes of the *Cassa del Mezzogiorno*. The actual expenditure of the *Cassa* is now down to a tenth of what it was at the electoral period last year. The main schemes left to it are of a semi-industrial kind—roads, railways, irrigation and freezing plants. Agricultural reform is marking time. The hands of the present Minister of Agriculture are firmly tied by the party. In the field of land improvement (as opposed to land reform), the emphasis is now placed on the landowners' associations and not on government representatives.

This policy has been accepted in exchange for certain concessions made by the Right concerning leases between tenant farmers and sharecroppers and the owners. On the insistence of the Social Democrats, the policy of intensive long-term investment in concentrated areas has been replaced by one of palliatives, a trickle of small dispersed schemes designed to give work and produce electoral advantages.

The prospect is a distressing one. Italy is back to the old technique of mutual compromises and no coherent policy—of "immobilism" in fact. The trends of the various factions within the Christian Democrat party do not really

correspond to any basic interests in the country. Altogether, one has the impression of a vacuum. The younger leftish Christian Democrats are still bewildered by the switch in Vatican policy about three months ago, and confusion has been made worse confounded by the probable resignation, on grounds not it is believed connected with politics, of Signor Gedda, the right-wing head of the Catholic Action.

From all this confusion, the Communists will be the main gainers. Except for a violent agricultural strike in Ferrara, they are lying low, confident that the situation is working strongly in their favour. The odds are that they will work up agitation towards the end of August, when there is great seasonal unemployment in Italy. It may well be that disorder reaches a pitch at which a strong government will have to take over. Rumours of such a possibility are now again circulating after a four months' silence.

The Scelba government, in spite of its shortcomings, has indeed made a better showing than was hoped for, but it rests on a perpetual ambiguity. Instead of representing a leftish policy based on the alliance of the Christian Democrats with the three small lay parties, it is now entangled in a morass of conflicting formulas and policies. But there seems no alternative in sight and it will presumably go on under the twin impulses of opposition to the Communists and effective support from the Right. If it can hold out till October, there will be no new election till next May. The internal situation in Italy is such, however, that the lack of enthusiasm and direction, the internal vacuum, corruption and half-hearted reformism seems more likely than ever to bring about an eventual explosion. When it comes, it will almost certainly be shattering and sudden.

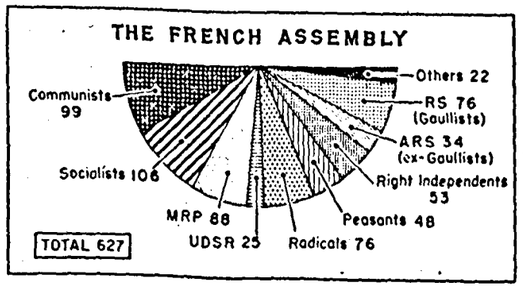
EDC and the French Party Puzzle

FOR months all the blueprints for the European Defence Community have had to be kept in drawers because of the reluctance of the French Assembly to put a debate on the ratification of the treaty on its agenda. M. Mendès-France has now promised to precipitate events, and talks have already begun between the French partisans of EDC and those of its opponents who are not against any form of German rearmament. This attempt by M. Mendès-France to seek a compromise solution has met with a strong rebuff from Dr Adenauer, who has faced France with a clear choice—EDC or a national German army. Will France accept the treaty after all, or will all the western plans have to be revised because of the French veto?

It is no easy task to estimate the balance of French parliamentary forces in this battle of EDC. Much will depend on its timing, on what government may then be in power, on the temper of the Assembly and the general international situation. The calculations that follow must, therefore, be considered tentative. An additional difficulty is that the troops are not divided into two clear camps. The partisans of EDC rightly point out that, even if they were defeated, this would not mean that there is agreement among their opponents on an alternative solution. Indeed, the deputies can be broadly divided into three groups, none of them capable at this stage of mustering an absolute majority. At one extreme stand the supporters of European integration and of the defence treaty in its present form; at the other, the opponents of all German rearmament; in between are those who would accept a unified army but not one of a supranational character. The strength of this last group is hard to determine because, while the treaty itself has been hotly discussed for many months, the attitude of deputies towards alternative proposals is not yet quite clear; hence the size of the group is best gauged by a process of elimination.

The camp opposed to Germany's rearmament is obviously centred on the disciplined Communist contingent. But it also embraces about forty deputies from the extreme nationalist wings of the Gaullists, the Radicals and the Independents. Logically, the Socialist "rebels"—about half the parliamentary group, determined to defy the party whip that calls for support of EDC—should be included among this extreme group, although they have never made their position absolutely clear and some of them could probably be brought to accept a compromise. Yet, even if the Socialist waverers are included, this group can mobilise at the utmost only 200 votes.

The MRP is the only party entirely committed to EDC, but it would probably be backed by about half the deputies from the Radical and the UDSR groups; by between half and two-thirds of the conservatives (Independents and Peasants) and by those Socialists who are faithful to party discipline. Adding to these some 10 to 20 Gaullist votes,



the partisans of the treaty could muster between 260 and 290 votes, which would not suffice to carry it through.

German rearmament within Nato or within a vague European framework lacking a supranational authority finds the hard core of its support among the former members of the Gaullist Rally. These are backed by about half the Conservatives and a dozen Radicals; altogether no more than some 170 votes.

Compromise by Clipping?

Thus, none of the groups commands enough votes to assert its wishes, and herein lies the dilemma. To enable the Assembly to vote for German rearmament uncapped by a supranational European authority, the MRP and the Socialists would have to make an unthinkable *volte-face*. For EDC to be accepted in its present form, all the Socialist rebels would have to submit, carrying along with them the anti-EDC Radicals, which is hardly more likely. Indeed, successive Socialist congresses have merely proved that the whips are of no avail against so many recalcitrant deputies, headed by the most famous names in the party, and at last week's congress it was noticeable that most delegates welcomed M. Mendès-France's search for a compromise as a heaven-sent opportunity to avoid a fatal split within the party.

The deadlock thus reached explains the lines on which M. Mendès-France has set out in his search for a big majority. Since those who are resigned to German rearmament cannot agree on either of the existing solutions, compromise is being sought not by suppressing, but by clipping, at least temporarily, the supranational character of the treaty. Thus, for example, the unanimity rule in the Commissariat could be extended to, say, five years; and so could the transitional period during which a national delegate would supervise the preparatory stages of integration. A temporising formula along these lines has been advanced by the new French state secretary for foreign affairs, M. Guérin de Beaumont, who has also advocated the right to contract out after ten years. Some such looser compromise solution is clearly envisaged by the new government, and it probably serves as a basis for discussion in the present government-sponsored negotiations.

Have these a chance of success? M. Mendès-France is faced in his project with the hostility not only of the MRP but also of the determined "Europeans" among his own Radical colleagues, such as M. René Mayer, the former premier. And even should he succeed in striking a bargain within the French parliament, his labours of conciliation are likely to be lost through the refusal of the other contracting parties to revise the treaty. Yet all the evidence indicates the inability of the French Assembly to answer yes to the treaty as it stands. The deputies are well aware of western impatience with their delaying tactics; but they are also conscious of France's strong bargaining position, of the havoc its veto would play, of the weakness of a rearmed Germany faced with hostility on its lines of communication to the west. Such tacit blackmail may be resented; but it would be naïve to prepare any plans on the assumption that the deadlock in the French Chamber will be overcome by stern words from abroad.

State Enterprise in Backward Areas

BY A CORRESPONDENT

AN important though little known conference took place in March this year at Rangoon, at which experts and administrators from many Asian, European, and Middle East countries debated the function of public enterprise in economic development; the Report issued after the meeting represents a salutary clearing of influential minds.

The conference had two aims. On the one hand it attempted to answer a universal question: How can managerial efficiency, and the flexible initiative ordinarily associated with commercial operations, be reconciled with public responsibility and the accountability of the administration to the legislature? Some difficult problems were fully aired: What are the proper functions, and how much power should the responsible minister have? What role in co-ordinating investment and price policies should the central financial authority play? How can healthy relations with the consuming public be maintained? The second aim was more specific. In most Asian countries—as in many others in Latin America and the Middle East—public enterprise has tasks to perform, and difficulties to face, which have no counterpart in the highly developed economies of the world. It has to serve as the main instrument, not merely of economic progress—let alone social justice—but of drastic economic transformation. It is through state enterprise, or not at all, that the Asian countries will be able to provide themselves with that strengthened economic infrastructure—transport, communications, power, public services and so on—on which the safeguarding of existing living standards for a growing population must depend.

No Talisman

At Rangoon agreement on this point was so unanimous that no discussion of it was needed. But the delegates had to face the fact that public enterprise is not cast for the job. For instance, of manufacturing industry should the state give a lead to manufacturing industry by establishing pilot factories? And if so how should the state firms be owned and managed? Should they be part of the Civil Service? or a public corporation? or a mixed enterprise in which the state and private directors sit on the boards? Should they be permanent or be hived off eventually to private ownership and management? What should be the relationship between state firms and the private businesses, which, it is hoped will spring up in the wake of their pioneering endeavours?

It emerged from the conference that western experience is often almost irrelevant to the solution of these problems, although it is useful if only to show that public ownership is inadequate as an all-powerful talisman and universal solvent of economic and social difficulties. The lessons, however, are essentially negative. The problem of central leadership in underdeveloped countries has to be worked out afresh.

The report of the conference contains much that is elementary for more highly developed countries, which, like Britain, have had considerable experience of nationalised industries. But the question of financing public enterprises, for instance, presents itself very differently in lands where subsistence production is still normal. Not only is there very little margin for saving and investment in these Asian countries, but the very habit of saving, has different ends. Hoarding and display, rather than ultimate production, is still a major preoccupation. Moreover, there is an absence of the machinery of investment such as exists in the West. It follows that in so far as development is financed from internal resources, savings must initially be collective, and enforced through taxation. Here, the report finds there is room for "a significant increase," while warning against recourse, except in special deflationary circumstances, to deficit financing.

Good Men Wanted

Willy-nilly the governments of these countries find themselves as capital-allocating agencies, financial entrepeneurs at the highest level. Accordingly the report devotes considerable space to the different kinds of institutions and devices that may be needed. It discusses, for instance, Pakistan's Industrial Development Corporation, which sponsors and underwrites the issue to private investors of company shares, a certain proportion of which are initially taken up by the central government, and the long-established National Development Company in the Philippines, which is primarily concerned with sponsoring new ventures. Another device discussed is the operating contract, where, for cost

plus a fixed management fee, an established private firm undertakes to manage a publicly owned enterprise; an example is the Burma oil agreement. The report concludes, in this connection, "that new techniques need to be developed for supervising this type of contract."

Perhaps the gravest handicap to healthy growth in these countries is the difficulty of recruiting first-class administrators, managers and technicians. This shortage can hardly be remedied in a hurry. Such expedients as recruitment of foreign technicians and managers on long or short term contracts, the apprenticeship of students in industrialised countries, the establishment of vocational training centres and institutes of management, the International Labour Office's training-within-industry scheme, Point Four and Technical Assistance, together with the insistence that foreign firms cooperate in training native-born talent, will, in time, remedy the shortage. Meanwhile, however, the lack of intermediate, as well as top-grade managers, calls for particular restraint in the face of temptation to build intricately constructed economic empires.

To recognise these difficulties is not to solve them. But the Rangoon Conference, in the opinion of observers, will prove to have been useful beyond its initial value as a means of exchanging views and experience. It may, as the Indian Ambassador suggested, lead to the continued cooperation of expert consultants on public enterprise in developed no less than in under-developed countries. It has at least spread among a wide circle of the educated Asian public a politically valuable appreciation of what public enterprise can—and cannot—do.

Canalising the Moselle

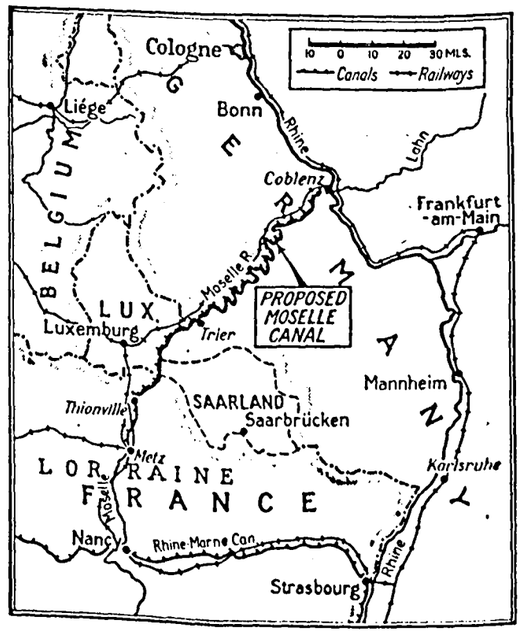
FROM A CORRESPONDENT

PLANS for canalising the River Moselle have been discussed off and on in Europe ever since the Congress of Vienna. The Moselle is the largest of the tributaries of the Rhine, yet it is the only one which has not been canalised. The problem with the Moselle has always been that it flows through so many different countries. Of the 167-mile stretch involved in the present plan, from Thionville in Lorraine to its junction with the Rhine at Coblenz, 120 miles of the Moselle flow in Germany, 20 miles form the Luxemburg-German frontier, 8 more the Saar-Luxemburg frontier, and the remaining 19 miles are in France. The canalisation project, though undeniably practicable and desirable, has always been at the mercy of international politics.

Technically the operation today presents little difficulty. The construction of a canal in the true sense does not arise. The work involves some dredging of the bed of the Moselle and the construction of a number of barrages which would maintain a depth of water sufficient to make the river navigable to 1,500-ton Rhine barges at all seasons of the year (at present 300-ton barges can use the river from Epinal to Thionville). This work would take four to five years to complete and at an estimated cost of about £40 million. It is proposed to create an international company known as the "European Moselle Company" to carry out the project.

An important aspect of the plan is the provision of hydro-electric power. Thirteen barrages are envisaged, calculated to produce 750 million kilowatt-hours of electricity per year, with an estimated value of £27 million. Since the project has in addition the great merit of increasing the navigability of the river, it is clear that, from a strictly economic viewpoint, it represents an unusually profitable investment.

That the project has again been revived is due to the progress made over the last fifty years in technical understanding of the problems involved. Before the turn of the



century, it was possible to construct only low barrages, and the great number of these required (about 40) made the cost prohibitive. The invention after the first world war of high dams with metallic floodgates made it possible to draw hydro-electric power from the river, and this changed the whole economic aspect of the plan. During the inter-war period a small amount of canalisation was done by the French; the river was canalised so that 300-ton barges could move from Metz to Thionville, but as for the lower stretches of the river nothing could be done while France and Germany were at loggerheads. During the second world war the Germans put the work in hand at a high priority immediately after their occupation of the whole area in 1940. The work on the barrage at Coblenz was started in 1942.

After the war the new enthusiasm for European unity raised the Moselle plan to greater eminence. Today the main opposition comes from entrenched economic interests. Some are alarmed at the prospective large reduction in transport costs, which will benefit the Lorraine ore fields and steel industry. The estimated reductions are indeed remarkable. It is calculated that the opening of the Moselle route to heavy barges would save 50 per cent of the cost of transporting Lorraine ore to the Ruhr, 65 per cent of the cost of getting Lorraine flat-rolled steel to Rotterdam

(*Continued on page 127*)

(*Continued from page 126*)

or Antwerp, and 46 per cent of the cost of bringing Ruhr coking coal to Lorraine. Naturally feeling against the project is strong on the part of the German and Luxemburg railways, which have almost a monopoly of the existing traffic. There is opposition too in the Ruhr, which, although it produces ten times as much coal and twice as much steel as Lorraine, fears the latter's competition. And finally, although to a lesser degree, the port of Antwerp fears that the increased traffic through Coblenz will profit Rotterdam. None of these objections carry much weight, and where the Ruhr is concerned it can be argued that it would benefit by the cheaper Lorraine ore which is of better quality.

At present, the problem is considered as essentially one for direct settlement between France and Germany. France officially backs canalisation, and its implementation was in fact made a condition of French ratification of the European Coal-Steel Community Treaty in December, 1951. The French consider that German approval of the project would be a practical gesture of goodwill, and lack of German support for it has provided useful ammunition for French opponents of European integration. However, the weight of opposition in the Ruhr has so far prevented even Dr Adenauer from giving it his open blessing. The operation is essentially one to be done in a European context, very possibly with the Coal-Steel High Authority taking a hand. (There was some talk recently at Strasbourg of the plan coming under Article 54 of the Coal-Steel Treaty, as an investment). The general belief is that if the EDC is ratified and European integration goes forward, this long-dreamt-of plan will come to life. It is certainly now quite irrational that it should not do so. But there will be more opposition to it than that provided by the stony bottom of the Moselle.

Leadership in New China—IV

Culture and Propaganda

THE administration of a Communist state covers a much wider field than that of a liberal-democratic regime. It aspires to organise all human activities including the whole life of the mind. All expressions of thought and feeling must be "politicalised" and made into vehicles of propaganda in favour of the Marxist-Leninist ideology; and the population, particularly the young, must be insulated from any contamination by bourgeois, individualist, cosmopolitan or reactionary ideas.

When a Communist regime has lasted long enough, the whole people will have been brought up in Communist-controlled schools and universities; but when power has only recently been acquired, there is a division between the younger generation, whose minds can still be formed, and their elders who, even if sympathetic to the revolution, grew up in a world with different mental assumptions. Direct indoctrination can be applied to the former, but if the support of the latter is sought they must be approached through propaganda suited to their habits of mind; and for this purpose the services of fellow-travelling publicists, writers and artists are specially valuable to the party.

The most prominent "cultural" figure in the Chinese People's Republic is Kuo Mo-jo, who is not formally a Communist party member, but has a position of such influence that he is popularly described as the "Cultural Premier" of China. Born in Szechwan in 1892, he was originally educated for the medical profession and graduated at a university in Japan, but preferred to follow a literary career, and in 1922 became the centre of a group of writers stirred by revolutionary ideas who called themselves the "Creation Society." Poet, essayist, literary critic, historian and archæologist, Kuo Mo-jo has always been a versatile and prolific writer, his work deeply influenced by Marxism and expressing strong anti-Western sentiments. He visited the Soviet Union in 1945, and the victory of the Communists brought him to the top of the tree. He is the president of the Academia Sinica (a number of whose former members have created a rival body in Formosa), chairman of the Culture and Education Committee of the Government Administrative Council, chairman of the All-China Federation of Literary and Art Circles, chairman of the China Peace Committee (affiliated to the World Peace Congress), vice-chairman of the Sino-Soviet Friendship Association (of which Liu Shao-ch'i is Chairman) and the winner of a Stalin Peace Prize.

Diaries for Inspection

In spite of Kuo Mo-jo's public eminence, he is for the outsiders rather than for the Communist party members themselves, who have Mao Tse-tung and Liu Shao-ch'i as their intellectual guides and must take their medicine undiluted. On the administrative side the party's control is exerted particularly through the Ministry of Higher Education under Ma Hsu-lun, the Ministry of Culture under Shen Yen-ping and the Ministry of Publications under Hu Yu-chih, Special attention is devoted to the universities, and it is in the field of higher education that the "brain-washing" techniques borrowed from the Soviet Union and improved by the Chinese are most in evidence. All university students are watched in order to discover their "thoughts" by party members among them who must continually report on them to the party; those whose attitude is unsatisfactory are transferred for special training and "mind reform" to a "People's Revolutionary University." They have to keep diaries for inspection, take part in "democratic discussion" and self-criticism meetings, submit to endless interrogations by "responsible party workers" and make public confessions of past errors and faults.

These methods applied over a period of time are usually effective, for it is extremely difficult to get by with mere outward conformity. Students who are still unreformed by a People's Revolutionary University are again transferred to a People's New Life Labour School, which is in fact a forced labour camp. The whole system, as described by young Chinese refugees who have been through the process, or some part of it, is highly organised and one of the main branches of party activity.

Stock Heroes and Villains

Under Shen Yen-ping's Ministry of Culture are the Central Drama Institute and the Central Institute of Fine Arts, two very important bodies, with abundant financial resources for mass propaganda. The latter, in conjunction

with the Communist party's Information Department headed by Lu Ting-yi, set up an "Anti-America-Aid-Korea" committee during the Korean war and brought out a "cartoon propaganda reference book" which was distributed all over China to inspire cartoons in newspapers, wall posters and so on. The Central Drama Institute similarly lays down themes and stock types of political heroes and villains to be used by actors and singers everywhere for propaganda purposes. Its nominal head is the most famous of Chinese actors, Mei Lan-fang, but behind the façade of such non-political personalities the Communist party closely controls all activity on the principle that "art is an important weapon in the ideological struggle."

Hu Yu-chih, the Minister of Publications, a former student of the Sorbonne and editor of a Chinese newspaper in Malaya, turns up again as a vice-chairman of the Chinese People's Institute of Foreign Affairs, the body which has issued the invitations to the British Labour party to send delegates to Peking this summer. This institute, of which Chou En-lai is honorary chairman, and the Chinese People's Society for Cultural Relations with Foreign Countries, which is under the patronage of Kuo Mo-jo and the China Peace Committee, are mainly composed of Chinese who have lived and studied abroad and are considered suitable for foreign contacts.

They are reinforced, in the projection of the new China for foreigners, by such well-known figures as Soong Ching-ling, the widow of Sun Yat-sen and sister of Madame Chiang Kai-shek who used to be such an influential hostess to foreigners in Chungking in the war years, and the romantic New Zealander Rewi Alley, who lives in China and has become one of the most lyrical eulogists of the Communist regime. In general, the Chinese Communists and fellow-travellers who can deal with non-Communist foreigners, and know what to say to them, are a specialised category, sharply divided from the great bulk of the party, including most of its higher leaders, who have never been outside China except perhaps to Russia. The foreign-educated and travelled are inevitably regarded with some suspicion and watched for signs of deviation, but they are very valuable to the party, and there has not yet been any great proscription which has made foreign contacts as such a dangerous liability, as they became in Russia in the great purge of 1936-38.

Big Ruhr and "Little Ruhr"

THE bogey of future American competition in steel export markets has long troubled the minds of Ruhr industrialists. They now have another worry. Among the inner circles there is increasing anxiety about the growth of the Soviet "Little Ruhr"—the coal-steel complex formed in the Moravska Ostrava coalfield of Czechoslovakia, Upper Silesia and the district between Krakow and Czestochowa. German technicians are well able to judge the nature of the threat from this quarter for the good reason that they were responsible for starting its development during the war. They know that the Upper Silesian coalfield is by nature easier to work than the Ruhr, and that the mines there and in the Moravska Ostrava area were modernised with the latest German equipment. Since the war they have kept themselves well informed about the synthetic oil plants, steelworks, and other enterprises that are rising in Poland with Russian technical aid and equipment, and when they put the facts together, they do not like the conclusions. Technical integration—the ideal of the Ruhr managers—has, they see, gone far in this particular Soviet satellite territory.

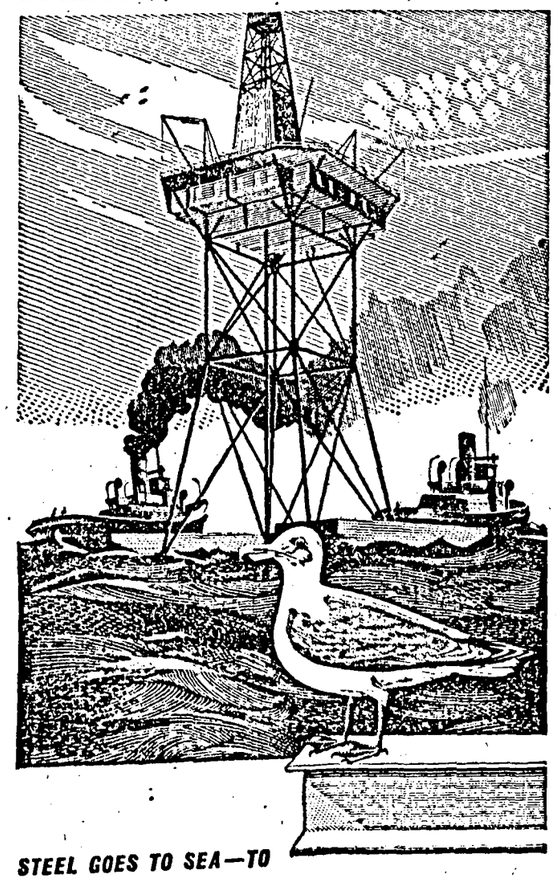
Some months ago the German head of the investment committee of the Coal-Steel Community in Luxemburg warned Ruhr industrialists about the way in which output in the "Little Ruhr" area was creeping up on the coal-steel union, and his words were repeated last week by another German authority. For the first time, it was pointed out, the Moravian-Upper Silesian-Polish heavy industrial complex is being exploited as one unit, under a single controlling hand. Its development is linked to the Soviet industrial plan, with the aim of creating a "combine" or vertical trust which will unite the iron ore of the southern Soviet Union with the coal and steel industry of the "Little Ruhr."



The figures which are bandied about in the Ruhr do not, however, bear examination. By including brown coal from the Soviet zone with hard coal, and by running the output of crude steel together with that of rolled products, planned output in the Soviet complex is made to appear much greater than that of the coal-steel community. This is misleading in view of the fact that total steel output in Eastern Europe is only about a third of that of the coal-steel union, and hard coal output about one-half.

New Plea for Trusts

The conclusion drawn by German industrialists is, naturally, that everything should be done to remove the "Little Ruhr" from the Soviet grip. But it is realised that no sound manager would plan his production on the assumption that this wish will be fulfilled, and more practical arguments are propounded. They are of two kinds. The first is that the German Ruhr must have a very large slice out of M. Monnet's American investment millions, and the second is that the Ruhr vertical trusts must be allowed to re-form in all cases where efficiency would be improved by rejoining steelworks to coalmines and processing plants. To back their arguments, Ruhr industrialists have for years past pointed to the vast size of American steel firms. Now the threat from the Soviet "Little Ruhr" is used as additional evidence that vertical trusts must be revived on a limited scale. There is no demand to reconstruct the whole unwieldly *Vereinigte Stahlwerke*; but the Allied Law 27, which prevented German steel firms from owning more than 75 per cent of the coal they need, is being challenged afresh by other concerns. The Allied High Commission, say the Germans, no longer have the power to enforce their law; that rests now with the High Authority in Luxemburg, and this body is being asked to allow some regrouping to take place in the interests of Western Europe.



STEEL GOES TO SEA—TO

SEARCH FOR COAL

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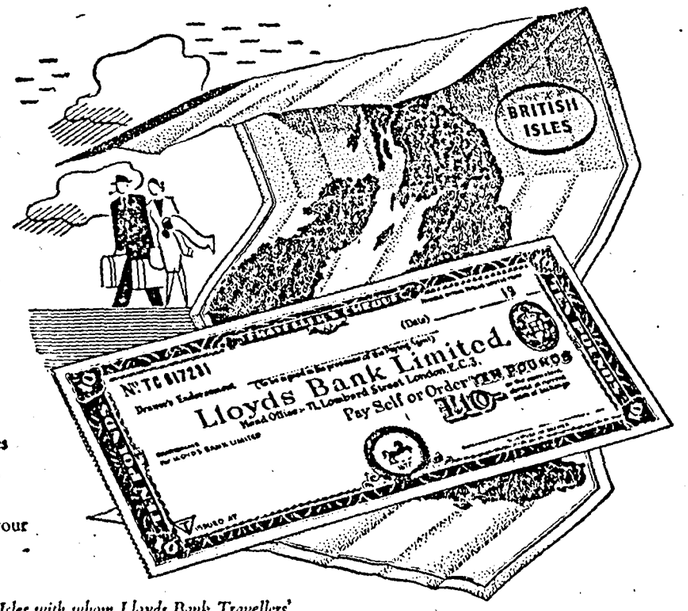
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IT'S A REVELATION

THE BUSINESS WORLD

Funding or Forcing Bid?

THE monetary authorities have been quick to capitalise the opportunity created for them in the gilt-edged market by the success of their cash-and-conversion operation of early June. One of the several striking features of that operation, it will be recalled, was its unexpected choice of target—a stock in the very earliest stage of its optional redemption period, instead of one of the large stocks that had to be repaid in any case in the near future. The £535 million of 1½ per cent Serial Funding Stock due on November 14th and the £735 million of 2½ per cent Exchequer Stock due in mid-February were both left for a later assault. Especially in view of their belief that the Electricity Authority cannot long delay its return to the market, most people deduced that the Treasury's next refinancing exercise would be deferred until the autumn. These expectations have now proved wide of the mark.

After the close of business on Monday last the Treasury announced an assault upon the Serial Funding Stock, by way of conversion into one or other of two contrasting new issues—a 9-10 year stock and one actually extending across the turn of the century. Until next Tuesday, holders of the Serial Funding Stock may exchange into an equal amount of new 2½ per cent Exchequer Stock, 1963-4, plus a cash payment of 10s. per cent or into a new 3½ per cent Funding Stock, 1999-2004, at the rate of £103 for each £100 of the maturing stock. Neither of the new issues is offered for cash.

The first part of this offer proved to be strictly tailored to the pattern produced in the market by last month's operation. The calling then of the National Defence Loan, 1954/58, and the simultaneous offer of a stock with a life scarcely exceeding four and a half years had immediately set in motion many major adjustments of the yield structure. Among these changes, as *The Economist* pointed out on June 5th, two were of outstanding importance. The shock caused by the assault on the 1954/8 stock at its earliest date provoked a general turning away from stocks with a relatively wide span of redemption dates, especially in the medium term section of the market. Secondly, holders of the 1954 Serial Funding Stock quickly drew the obvious deduction that, since a short bond had been unexpectedly offered in early summer, they dare not expect another short to be offered for the subsequent refinancing of their own maturities.

Many of these holders, fearing that the next replacement stock might even be as long as 15 years, thereupon started upon a feverish search for suitable alternatives of shorter life than that. The big banks, needless to say, were in the van of this movement, and at one point in the market échelon both processes acted together, and with maximum intensity. The stocks that felt the major buying impact were inevitably those having single or narrow redemption dates within ten years. But the supply of such stocks had been sorely depleted, so that the effect upon yields was violent.

This will be clearly seen by comparing the yields shown in the third and fourth columns of the accompanying table, which show the market scene as it was on the eve of each of the two operations. During this period of just over a month, while redemption yields on medium and long dated stocks and flat yields on irredeemables dropped by scarcely more than 1/32 per cent, those on the two stocks in the early 'sixties dropped by 3/16—¼ per cent. The redemption yield on the 3 per cent Exchequer stock, 1960, fell from £2 8s. 3d. to £2 4s. 9d., whilst that on the 3 per cent Exchequer stock, 1962-3, to the latest date fell from £2 15s. 6d. to £2 10s. 7d. per cent. The anxiety of the

banks and others to avoid a spread redemption date and also to keep within the ten-year range is strikingly demonstrated by the behaviour of the 1964-67 and the 1969 stocks; during this period their yields dropped by only about 1/16 per cent.

In their choice of a new nine to ten year stock, the authorities have aimed at the very centre of this concentrated demand. On the basis of prices ruling on the eve of the announcement, the indicated redemption yield on the 1963/64 stock was precisely the same as that offered by the existing 1962/63 stock. This is the measure of the further squeezing process that this operation involves. But, though the terms gave nothing whatever away, the banks and other institutional investors who need to keep their portfolios short can still count themselves fortunate—though there have been some wry grimaces among those institutional investors that had succeeded too well in switching out of their 1954 Funding stock and thus have no chips to take a stake in the new issue. This circumstance has produced a minor oddity; demand for the 1954 stock for the purpose of conversion into the 1963-64 stock has been so intense that it now yields a mere 1 per cent—appreciably less than the minimum rate for call money.

The adroitness of the tactics of the previous four weeks had made the success of this first half of the new offer a virtual certainty; and when dealings started on Wednesday in the "assented" funding stock the new stock was in effect already showing a substantial premium. There is no means of gauging how the £535 million of Serial Funding stock was spread among holders on the eve of the announcement. The discount market was known to have disposed of virtually the whole of its holdings and most of the remainder were understood to be shared between the banks and the "departments". The latter had undoubtedly taken in large lines in the previous two weeks, and a substantial part of these holdings will presumably be converted into the 9-10 year stock. A brisk business is likely to be transacted in it thereafter. In the event it will probably be found that a very substantial portion of the November maturity has been cleared out of the way.

★

For these several reasons, the City has no reservation in its approval of this side of the new operation. The results of official tactics since early June may not have been very comfortable for institutional investors, but no one questions the skill and soundness of the strategy. It has been otherwise, however, in City comments upon the second half of the conversion offer. This has caused much bewilderment in general, and not a little head-shaking among the few who think they discern in it the birth of a new and aggressive ambition.

The choice of a stock with a minimum life longer than the maximum life of any existing dated stock does, indeed, mark a radical departure. It is many years since any stock—Daltons alone excepted—has been issued with a possible life as long as fifty years. The funding stocks issued after World War I had, of course, very long maximum lives (41-71 years for the 4 per cent Funding, 1960-90, and 57 years for the 4 per cent Victory Loan, redeemable by drawings extending to 1976) and there was the well-known but small issue of Tithe Redemption stock, 1986-96, first issued in 1937. In recent years, the nearest approach to the new stock is made by the 30-40 year maximum life of Transport Stock, 1978-88, issued in 1948, and by the Gas Stock, 1990-95, issued in the following year. But these were nationalisation take-over stocks, not Treasury funding issues, and they afford no parallel to the present tactics. The contrast between the laborious funding process of the past two years, which has pushed slowly but surely up the line from 1957 to 1969, and the sudden wild leap to 2004 needs no emphasis. And there is the further oddity that this stock should have been offered solely to holders of a maturing issue most of which was more or less forced upon the banks and whose maximum life from the outset was no more than four years.

That very fact, however, provides an important clue to the authorities' intentions. Precisely because no

GILT-EDGED YIELDS*

	June 24, 1952	May 12, 1954	May 31, 1954	July 5, 1954	July 7, 1954
1½% Serial Fund., '54	£ s. d. 3 5 1	£ s. d. 1 19 9	£ s. d. 1 14 8	£ s. d. 1 12 2	£ s. d. 1 2 0
2½% Exchequer, '55	3 12 1	1 19 11	1 16 11	1 16 8	1 16 7
2½% Nat. War Bonds '54/56	3 12 8	2 3 9	2 0 9	2 3 8	2 3 8
2½% Serial Fund., '57	...	2 3 1	1 19 6	1 18 7	1 18 2
2½% Conversion, '58/59	...	...	...	2 0 3	1 19 10
2½% Funding, '56/61	4 2 0	2 13 2	2 11 0	2 8 5	2 8 5
3% Exchequer, '62/63	...	2 16 6	2 15 6	2 10 7	2 10 7
3% Savings, '58/65	4 8 3	3 4 9	3 3 1	3 2 6	3 2 5
2½% Savings '64/67	4 7 10	3 5 0	3 3 10	3 2 6	3 0 3
3% Funding, '66/68	4 10 10	3 9 0	3 7 4	3 6 1	3 4 6
3½% Conversion '1969	...	3 11 3	3 10 6	3 9 6	3 9 1
3% Savings, '65/75	4 11 11	3 13 1	3 13 0	3 12 1	3 11 1
3½% Electricity, '76/79	4 10 6	3 14 11	3 14 9	3 13 10	3 13 4
3% Transport, '78/88	4 11 2	3 13 7	3 13 8	3 13 0	3 12 8
3% Gas, '90/95	4 9 5	3 11 10	3 11 11	3 11 4	3 11 1
3% Redemption, '86/96	4 7 4	3 12 0	3 12 3	3 11 8	3 11 6
4% Consols, 1957 or after	4 16 6	4 4 4	4 4 3	4 3 5	4 2 8
3½% War Loan	4 16 2	3 19 6	4 0 10	4 0 5	3 19 8
2½% Consols	4 10 7	3 13 11	3 16 0	3 15 4	3 14 10

* Gross redemption yields, all to latest date.

non-official holder of the Serial Funding Stock could conceivably contemplate switching into a 45-50 year stock, it is evident that all, or virtually all, of the conversion applications will come from the departments. If institutional investors are interested—and it has been suggested that certain types of pension trust funds may provide a modest demand—they are unlikely to participate via purchases of Serial Funding Stock, but will wait for resales by the government broker. The official tactics are odd, but their very oddity demonstrates that the authorities had not been cherishing the hope that a stock of this character could be floated by the orthodox direct appeal.

This permissible deduction from the known facts does, indeed, match the official intimation that the offer is intended to be no more than a "pilot" operation,

to discover how the wind blows among investors. Another test of this attitude will be the size of the issue; for if the authorities do not thus convert much of their Serial Funding Stock, it will be apparent that they do not look for any substantial offtake and are not intending to force the pace. But although these indications have been given, it is understandable that some City observers should have felt rather uneasy—if not about the official intentions as such, then about the risk that the speculatively-minded may misinterpret them. The gesture, even though only a "pilot" one, is evidently significant: it expresses a wish, if not an ambition. And it has been widely argued that if the authorities are determined to make such a stock "go"—and why should they not be so, if the issue is made at all?—other possibilities loom over the horizon. Notable among these, in this week's gossip in the market, is the approach to a refinancing of the £1,910 million of 3½ per cent War Loan (1952 or after). Speculative hopes have therefore begun to stir, affecting not only this stock (which rose by almost a full point in the three days) but also 4 per cent Consols (1957 or after), which rose by 1 1/16 and is now being treated by the optimists as the most promising "short" on the market.

The next few weeks will show which of these contrasting views is nearer the truth. The hopes of the optimists could not be realised without forcing tactics of a kind resembling the Dalton effort; and that, surely, would be unthinkable. Up to this moment, nothing whatever has been done in the official techniques of the past two years to justify any charge that the attitude has not been strictly circumspect. But if the Old Lady and her sister in Great George Street do not want to be misunderstood, they must now remember the precept for Caesar's wife.

Rayon Grows Rich

THE British rayon industry has just enjoyed a year of high prosperity. Both the major companies in the British market, Courtaulds and British Celanese, have earned bumper profits and announced free scrip issues. The industry can now look back on its struggles over half a century from a position of comfortable, if hard earned, affluence. Now highly respectable and deeply entrenched, the industry is just embarking on its second 50 years of life. The heart-break days for the rayon investor seem now to have changed into quiet, substantial, middle-aged progress. In retrospect the important fact remains that production continued to rise in an almost unbroken line and that, although many companies failed, to those that prospered capital was largely self-generated. Since 1913 when Courtaulds was formed with a capital of £2 million, £56 million of nominal capital (worth around £87 million on market values), has come from ploughed back profits.

Courtaulds' shareholders may feel that they have come into a small part of their inheritance this year. The total dividend, equivalent to 8 per cent on the present doubled capital, is more by one per cent than they had been led to expect, their further expectations must be tempered by the fact that the chairman has disclosed that he proposes to put into effect some time next year a co-partnership plan similar to that recently announced by Imperial Chemical Industries. This still secret plan has been under consideration since 1944, for affluent middle aged giants do not move hastily. By implication it must involve letting "all employees in the United Kingdom . . . provided they have the necessary qualifying service" into the equity of the company.

These things are done only by companies whose boards feel that they have reached a position of stability. Common sense says: (1) that the board would hesitate to make further readjustments of ranking capital for they would make nonsense of the arithmetic of the scheme; (2) that to reduce the present dividend would be a poor way of winning the loyalty of the workers. Common sense will ask three questions: (1) On what basis is it fair to let co-partnership start after shareholders have saved year after year to build up the assets of the company? (2) Should one now regard a worker's share in the equity as an inevitable addendum to wage rates and incumbent on a wealthy company anxious to keep abreast of the times? (3) Now that Courtaulds are to let the workers into the equity will the characteristic discretion about its affairs be modified? Even today, the shareholders can guess as they please. Does the giant own 70 per cent, even 75 per cent of the British rayon trade? How much smaller than Celanese is it on the acetate side?

U.K. RAYON PRODUCTION

	Continuous Filament		*Staple*	
	Viscose	*Acetate*	*Viscose*	*Acetate*
1946	69	40	69	2
1947	74	44	80	4
1948	99	48	83	3
1949	112	55	113	4
1950	129	60	166	7
1951	138	70	160	6
1952	97	50	121	4
1953	142	65	194	6
*1954	153	70	220	7

Source: Textile Organon. * Economist estimate.

Shareholders in Courtaulds have indeed shown patience as the giant has grown, putting up with modest dividends and watching the growth of vast and often idle liquid balances. They have shown patience, too, in British Celanese through a much more chequered early financial history which included capital reorgani-

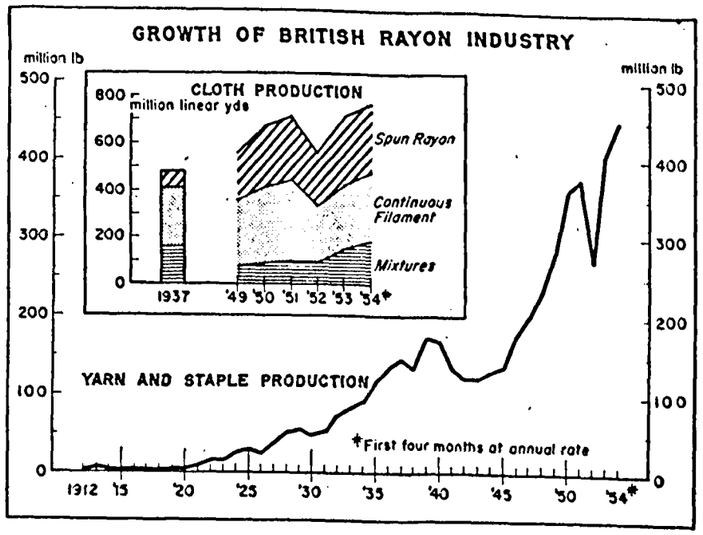
sation and the funding of preference arrears but with a much more open-handed board. Their troubles, too, seem now matters of history and they can welcome the extinction of the funding certificates, the 100 per cent scrip issue and a buoyant net profit.

The rate of incursion of rayon into the preserves of the older textiles has not slackened. The war itself gave a tremendous stimulus to indigenous textile fibres in the warring and occupied countries. Staple fibre (the cut lengths of rayon filament which spinners can turn into yarn) has provided a tremendous new market. Thus the rayon producers are not only in the textile industry; they are also the suppliers of that industry's cheapest and least fluctuating raw material.

Both chairmen remain optimistic, though their fields are not identical. British Celanese as producers only of acetate do not even accept the name of rayon for their product. Their chairman Mr. G. H. Whigham expects the continuance of a good, though competitive, domestic market, but is less confident about the long term outlook for exports. Courtaulds are much the larger concern dominating the viscose field and producing acetate too (though on a smaller scale than Celanese). Sir John Hanbury-Williams gives much the same forecast—a buoyant home market and some doubts about the future of exports—doubts which concern the competitive power of Japan—and the competitive power both of cotton and of the newer man-made fibres in the United States. These doubts about the foreign markets have a doubled significance. Both companies have important interests outside this country in addition to their direct exports. Celanese is an important shareholder in Celanese Corporation of America. Courtaulds owns an investment of nearly £22½ million in subsidiaries which include the Alabama viscose staple project growing up to take the place of American Viscose Corporation, sold under duress to provide the sinews of war, TCF of Canada with associates in Australia—where the local Courtaulds venture has loudly demanded the protection of a tariff against yarn imports from Courtauld's factories in Britain—in Germany, Italy, Spain and South Africa and a subsidiary in France. Courtaulds has stated its claim in Nylon and Celanese has its plans.

But the important conclusion is that both boards of directors are behaving as though they expected growth and consolidation in the industry to continue. Neither has been dismayed by the textile slump two years ago, nor by persistent speculation about excess rayon capacity in Europe. Both are planning for a considerable increase in capacity. Courtaulds expects to spend at least £10 million on new investment, apart from the cost of a new factory at Grimsby designed to produce an annual 100 million lb of staple fibre. Celanese production will rise sharply next year when the new acetate factory at Wrexham comes into operation, and the company will spend about £5 million during the next two or three years on projects already sanctioned with the prospect of further capital expansion when they are completed. Evidently the home market is expected to absorb the extra output. Rayon exports have received a check since the days when half the cloth output went abroad; piece goods exports last year, at 16 million square yards, were barely 2 million yards above the total for 1952, a year of depression, and nearly 4.5 million yards less than in 1951.

Increased home sales are coming more and more to mean the development of new uses for rayon; the traditional outlets are being eroded at the edges by competi-



PROFITS AND ASSETS
(£'000)

	Courtaulds				British Celanese			
Years ended	Mar. 31, 1951	Mar. 31, 1952	Mar. 31, 1953	Mar. 31, 1954	June 30, 1951	June 28, 1952	Mar. 28, 1953†	Apr. 3, 1954
Trading profit..	18,393	20,333	11,571	21,191	8,016	3,181	2,236	4,701
Total income...	20,179	22,630	13,487	22,576	8,139	3,307	2,468	4,961
Net profit.....	8,100	8,534	5,192	7,564	3,154	934	745	1,777
Ord. dividends.	1,448	1,418	1,455	2,112	104	298	248	372
Retained profits	6,434	6,906	3,524	5,232	2,116	135	128	1,030
Fixed assets, *less* depreciation .	30,172	33,999	52,427	54,301	8,345	9,522	10,535	11,641
Net curr. assets	22,946	26,074	24,992	30,232	12,104	13,763	13,729	14,375
Stocks	13,613	22,232	17,552	17,228	6,059	7,372	5,615	5,257
Quick assets*..	33,896	29,064	23,578	34,976	9,566	10,308	9,645	10,677
Net worth‡....	61,314	68,395	80,663	89,773	7,542	12,216	12,995	14,064

* Quoted investments, tax reserve certificates and cash balances.
‡ Ordinary capital, capital reserves and revenue reserves (excluding future tax reserves).
† Nine months only.

tion from cotton and to a less significant extent as yet by the newer synthetics. This has affected continuous filament yarn, the oldest type of rayon. The female leg has forsaken both silk and rayon in favour of nylon but in bulk the inroad of the newer synthetics is still small. Sales of continuous filament rayon have gone ahead only because of the rapid development since the war of an industrial market, and the almost total capture of the market for tyre cord. Staple fibre is the white hope of the future. It is the cheapest fibre on the market, and can be spun on most types of textile machinery. In the United States, viscose staple, sometimes used alone, sometimes blended with acetate or with natural fibres, has made great headway for lightweight suitings. Courtauld's new Alabama plant will make only viscose staple—50 million lb a year of it—in addition to the American viscose output. A determined attempt is being made to develop similar rayon suitings for the less kind climate of Britain and Western Europe. Courtaulds has more at stake in this than British Celanese, for Courtaulds produces nearly all the viscose staple made here, and a preponderance of the continuous filament. The table shows that production of acetate, in which Celanese predominates, is on a much smaller scale; that is why acetate staple, which sells in the United States at the same price as viscose staple, is 50 per cent dearer than viscose in this country.

The interests of Celanese stretch far outside the textile market; the company is in addition an important producer of chemicals and plastics. It is this chemical experience that makes it possible for Celanese to contemplate the production of a new synthetic fibre of the nylon type. Up till now this type of venture has been undertaken only by Imperial Chemical Industries, the sole producer of "terylene," which is also joint partner with Courtaulds in British Nylon Spinners. Celanese is also more directly involved in textile production than Courtaulds. Both companies are vertical organisations, buying the basic raw materials for viscose and acetate production, and selling finished yarn and fibre. Courtaulds sells some staple fibre already dyed and ready for colour blending by the spinners. But while Courtaulds has four big mills and some smaller ones weaving bread-and-butter lines of rayon cloth and extends into the knitwear business, it is predominantly a producer of yarn. Celanese weaves considerable quantities of its own yarns, and makes-up the finished garments.

Both companies have mapped out their places—in the textile industry, where they still have to work for their livings, and in the investors' portfolios where they claim inclusion in the list of possible textile investments—Celanese, retaining something of its speculative flavour, yields £6 10s. 11d. per cent at 27s. 6d., and Courtaulds, for the steady going, yields a mere £4 18s. 6d. per cent at 32s. 6d.

Business Notes

Bull at Large

STRONG and active buying marked the opening of the new Stock Exchange account on Wednesday. Investors were making their dispositions as though they expected the "bull market" to last as far ahead as they cared to look. And the Government has given them every excuse for holding that view. The dates of the longer conversion operation—1999/2004—just ooze confidence. But the upsurge in prices does not spring wholly from the Government's activities or from the gilt-edged sector alone. Industrials, rubbers and copper shares were fully in it. The number of stock exchange markings—at best only a rough guide to the true volume of stock exchange turnover—reached a high but not a record level. The highest figure of the week was on Monday when 15,118 bargains were marked, the highest since April 5th which was the pre-budget day. The average for the first three days of this week was 14,254 higher than any weekly average since mid-February. The indices have been reaching new peaks. The *Financial Times* industrial ordinary index started the new account on

EQUITY SHARE PRICES

	April 6, 1951	May 12 1954	May 31, 1954	June 30, 1954	July 7, 1954
Anglo Iranian £1	11—	11⅛	12⅞	12⅛	12⅛
Assoc. British Picture 5/-	10/-	9/9	9/9	10/-	10/-*
Assoc. Elect. £1	45/6d	48/6	51/3	55/-	55/-
Assoc. Portland Cement £1	73/1½	78/9	81/10½	80/-*	83/9
British Motor 5/-	7/7½	8/1½	9/3	9/7½	9/9
Courtaulds £1	27/6b	29/3	29/9	32/6*	32/6
Distillers 4/-	19/6	20/6	21/-	21/3	21/6
Dunlop £1	20/9c	23/9	23/3*	24/9	25/3
Guest Keen £1	57/6	55/-	58/3*	58/3	58/3
Hawker Siddeley £1	59/6	61/-	65/3	75/7½*	78/3
Hoover 5/-	33/9	34/9	35/3	37/3	37/3
Imperial Chemical £1	58/6	60/3*	63/6	70/3	74/4½
Imperial Tobacco £1	52/-	51/6	51/-	52/-	53/-
Lancs. Cotton £1	54/6	56/3	59/3	59/-*	58/3
Leyland £1	85/-	91/3	95/-	93/9	95/-
Marks & Spencer 'A' 5/-	92/6	94/-	90/9*	98/-	97/-d
Pye 5/-	23/6	23/6	24/-	27/-	27/-
Tate & Lyle £1	66/3	67/6	69/6	67/6	68/-
Turner & Newall £1	76x6	83/-	83/-	82/6	82/6
Unilever £1	66/6	72/-*	77/-	79/6	82/-
Vickers £1	55/7½	57/6	61/6	35/-*d	34/6
Woolworth 5/-	74/3	79/9	75/9	75/9	78/3*
"Financial Times" Ord. Share Index	142·6	147·4	151·3	155·7	158·2

* Ex dividend (a) After 100 per cent share bonus September 11, 1953. (b) After 100 per cent share bonus December 15, 1953. (c) After one for two share bonus and capital reorganisation January 5, 1954. (d) After 100 per cent share bonus.

Wednesday with a jump of 1.3 to a new peak of 158.2 and a further rise to 159.3 on Thursday. The rise in a week has been 2½ points. The government security index at 103.56 has risen half a point in a week and stands at its highest level of the year.

In the industrial share market the investor's appetite is catholic. Leaders in nearly all the main groups have been bought. Some equities with a heavy money element in their make up have naturally risen as the rising trend of gilt-edged marked a falling interest rate. ICI for example reached a new peak on Wednesday at 74s. 3d., a rise of 4s. 3d. on the week. But the strength of the market also includes a disposition to buy the old speculative favourites. The stores group in particular have been well supported. Wall Street has been offering London mild encouragement. The British gold and dollar figures come up to expectations. The level of commodity prices holds steady and investors evidently feel able to behave as though hardly a cloud were on the horizon. Certainly the level of activity through many sections of British industry holds out good hopes for the investor next year should he choose to ignore election risks. At the moment he does so choose, and he is in no mood to ponder how far high prices already discount the better industrial prospect.

Reserves in Good Stead

THE gold and dollar reserves of the sterling area rose by $32 million in June to reach $3,017 million. The increase was the smallest since January, yet it is far from disappointing. It was never expected that the exceptional rate of increase of recent months—which carried the total up by over $400 million between the end of February to the end of May—would continue after the large inflow of foreign funds to London was checked, as it was by the second week of May. Indeed, the anticipatory commercial transactions following from the exceptional strength of sterling in the spring must have had some adverse influence on gold and dollar receipts in June. Moreover, receipts of American aid dwindled to $3 million in the month, so that the net dollar surplus came out at $29 million. Of this, $15 million was attributable to a receipt from the European Payments Union on account of the May surplus, so that the surplus on "true" gold and dollar account came out at $14 million.

This achievement of a continued dollar surplus certainly seems to confirm that the spring boomlet in the reserves was founded on a position of greater underlying strength than was at first suspected. The reserves are now in good stead to withstand the immediate strain to which they are likely to be subjected in coming months. The high summer and early autumn is the season in which large payments for dollar grain are normally made, and in which the balance with Europe turns unfavourable owing to payments for tourist expenditure and imports of fruit and vegetables. Already in June Britain's surplus in EPU was down to £3 million, which falls to be settled 50-50 in gold and credit next week.

TREND OF DOLLAR SURPLUS
($ million)

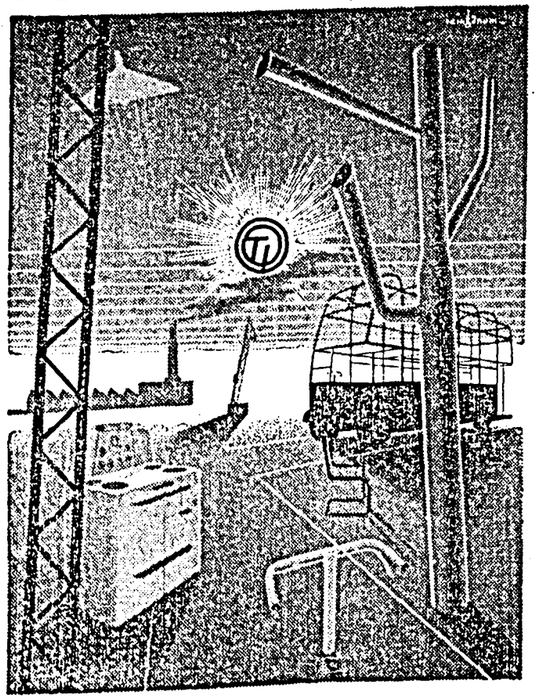
	Gold payments (−) or receipts (+)			American aid	Change in reserves	Reserves at end of period
	Net surplus or deficit	EPU settlements†	Residual gold and dollar balance			
May, 1953....	+ 35	+ 21	+ 14	+ 13	+ 48	2,321
June, 1953....	+ 18	+ 10	+ 8	+ 28	+ 46	2,367
July 1953....	+ 53	+ 2	+ 51	+ 36	+ 89	2,456
Aug., 1953....	− 6	− 6	Nil	+ 19	+ 13	2,469
Sept., 1953....	− 11	− 15	+ 4	+ 28	+ 17	2,486
Oct., 1953....	+ 21	+ 6	+ 15	+ 13	+ 34	2,520
Nov., 1953....	+ 17	− 15	+ 32	+ 24	+ 41	2,561
Dec., 1953....	+118	+ 4	+114	+ 20	− 43*	2,518*
Jan., 1954....	+ 10	− 4	+ 14	+ 15	+ 25	2,543
Feb., 1954....	+ 9	+ 7	+ 2	+ 31	+ 40	2,583
Mar., 1954....	+ 88	+ 2	+ 86	+ 14	+102	2,685
April, 1954....	+126	+ 7	+119	+ 9	+135	2,820
May, 1954....	+159	+ 39	+120	+ 6	+165	2,985
June 1954....	+ 29	+ 15	+ 14	+ 3	+ 32	3 017

* 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.

Repaying the EPU Debt

NEXT month, moreover, the reserves will bear the impact of the very considerable payments that have to be made to the European creditors under the arrangements for the funding of $426 million of Britain's overdraft of $485 million with the European Payments Union. Agreement on the terms of repayment has now been reached with all the European creditors save Switzerland. Immediate payments totalling $92½ million are to be made next week to Austria, Belgium, Germany, the Netherlands, Portugal and Sweden, in proportion to the credit that these countries have extended to EPU. The payments will be made in gold or any currency acceptable to the six creditors; credit passes with these payments, and they fall outside the normal EPU settlement arrangements, but the Union will, of course, take account of them and adjust the accounts of the United Kingdom and the recipients to give effect to the gold payments.

When the immediate payments have been made there will remain a debt of $277½ million outstanding to the six countries. The settlement of this debt will impose a burden of some $40 million a year on the dollar reserves. The $159½ million owed to Belgium, the Netherlands, Portugal and Sweden will be paid off in monthly instalments (beginning next month) over a period of seven years, and carry an interest rate of 3 per cent. These payments too will be made directly to the creditors in a currency acceptable to them, and "taken account of" by the EPU. The debt of $105 million to Germany also bears interest at 3 per cent, but will be offset against the annual instalments on its postwar debt to Britain, which amounts to $21 million. These repayments will therefore simply be suspended for five years. The outstanding debt of $12½ million to Austria is to be offset in the same way, but in this case the debt to Britain will be eliminated before the EPU debt is paid, and after four years Britain will there-



a TI landscape

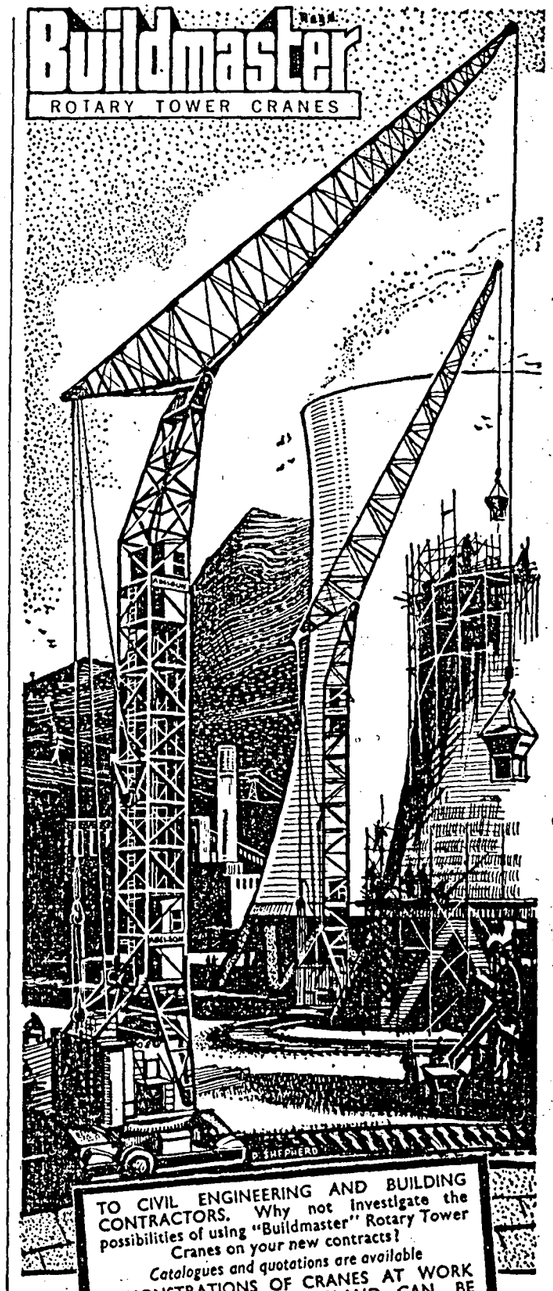
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fore begin to make monthly instalments to pay off the remainder. Agreement has still to be reached with Switzerland on the arrangement for the settlement of its "share" in Britain's overdraft with EPU, put at $56 million.

No Excuses about Coal

SIR HUBERT HOULDSWORTH told the miners' conference this week that he broadly agreed with their leaders about the total number of recruits that the British coal industry now needs. But he added that these new miners are needed in the right places, not throughout the mining areas. And he bluntly disposed of any argument that this need for recruits in any way weakens the industry's commitment to raise coal output this year by some 5 million tons. That "reasonable minimum aim" was agreed upon by the National Union of Mineworkers and the National Coal Board "with existing underground manpower." Sir Hubert reminded the union conference that since the beginning of the year underground manpower had risen by 1,000, while the number of workers at the coal face had fallen by only about 700 out of some 290,000: "It is not open to the board or the union to seek to excuse the failure to achieve the reasonable aim by any arguments based on the shortage of manpower."

The industry needs to produce not excuses, as Sir Hubert said, but some 4 million extra tons of coal between now and the end of the year. Such a spurt is not impossible; in the first four months of 1951, for example, the industry achieved 3 million tons of additional output, and even last autumn production recovered considerably more than was expected. In the short run, Sir Hubert again argued this week, no great returns can be expected from the industry's heavy capital investment. He is confident that in the meantime the country's demands for coal could be met by an improvement in the industry's labour relations; last year, for example, disputes cost twice as much coal as the board was forced to import. No doubt this is true; but it is not easy to foresee any such marked improvement in labour relations. At the top, after all, these relations are surely close enough. The miners' leaders are ready enough, each summer, to join the board in lamenting the dangerous level of stocks, and emphasising the need for higher output; and to formulate their wages claim for each autumn. This year's claim appears to concern a change in the industry's weekly bonus system (which would weaken the financial incentive to full attendance), sick pay, and a revision of the whole wages structure. This last exercise has been nibbled at for years; from the union's point of view, at least, it would mean a great deal of "levelling up" in pay, and perhaps a further divorce of rewards from efficiency.

Westminster Dividend Raised

THE seasonal batch of interim dividend announcements from the big banks has this year produced one welcome surprise and one disappointment for bank shareholders. In their distributions for the calendar year 1953, it will be recalled, four of the "Big Seven" banks followed the lead that had been set by the National Provincial Bank, and broke away from their long-stabilised rates. For 1953 Barclays, Lloyds and the National Provincial each paid ½ per cent more than their former standard rates, and larger payments were also made by the Northern banks—Martins, District and Williams Deacon's. One of the two big banks that had kept its rate unchanged has now come into line: the Westminster Bank is raising its interim by 1 per cent (actual) and for the full year will be paying the equivalent of 20 per cent, which is the same rate as was paid before the 1931 crisis, when the rate was cut to 18 per cent. The Midland Bank's interim, however, remains at the rate of 16 per cent per annum that has been paid ever since then; its 1930 rate was 18 per cent. The other banks' interims were each equivalent to half the (increased) payment made for the year 1953 as a whole. Westminster £4 shares (£1 paid) rose sharply on the news, by 4s. 9d. to 90s. 6d., and encouraged a slight rise in Midland Bank shares—which, of course, slipped back after the no-change announcement.

The Westminster's increase, like that announced by Barclays last autumn, is associated with changes in the capital structure. The Westminster has paid particular attention to a trend that has been common to all the banks: the great expansion of deposits that has occurred since 1938 has steeply reduced the ratio of bank capital to liabilities. The bank obviously delayed its dividend increase until it could improve this ratio. It is now doing this by capitalising £1,767,747 of published reserve and applying this sum to pay up 5s. per share of the uncalled liability on the £4 shares, so that they will become 25s. paid (£2 of the amount remaining unpaid represents "reserve" liability, callable only in the event of liquidation). The amount taken from published reserve is being replaced by a transfer from contingency account, which is a clear indication that the way has been prepared for this move by a strengthening of the inner reserves—thanks to the rise in gilt-edged in the past two years and the good level of current profits. The opportunity is also being taken to convert the £1 stock units, which at present rank *pari passu* with the £4 shares for dividends up to 12½ per cent, into preferential "A" stock carrying a non-cumulative dividend at this rate. This is a sensible move, which ensures that the stock cannot be adversely affected if further portions of the uncalled liability on the £4 shares are paid up in future. There is an interesting hint in the announcement that the bank intends in future to treat these shares as if they were of "no par value." The interim is expressed as 2s. per share, and it is intended that the final shall also be 2s.

New Tints for Rio Tinto

WITH the apparent blessing of the Spanish Government, the negotiations between Rio Tinto and a group of Spanish financial interests for the sale of the company's Spanish assets have ended with speed and cordiality. The Spaniards appear glad to see the end of this British enclave in Spain and to welcome control over an asset so important in their economy. All the former Spanish assets and liabilities of Rio Tinto, consisting of the mines for the extraction of pyrites, sulphur and copper and

such ancillary assets as the railway and housing estates, are to be transferred to a new Spanish company. Two thirds of the capital of this new company will be bought by a Spanish financial group, consisting largely of important Spanish banks. Rio Tinto will retain one third of the new company and will receive in instalments £7,666,666 in sterling; the transfer is guaranteed by the Spanish Foreign Exchange Institute and the first instalment of £2,500,000 will be paid before the end of next October.

The price which Rio Tinto will receive looks fair, particularly when it is set against recent profit remittances from Spain to the company. The Spaniards seem to have been eager that Rio Tinto should retain an interest in the new company, and Rio Tinto will continue to provide technical services in Spain and commercial services in London. Even apart from the desire of the company to protect the interests of its staff and to retain its long historical connection, it may also prove to be a good bargain for Rio Tinto. With the Spanish in the saddle the obvious assumption is that there will be less delay in adjusting the internal selling prices of the company's products to increases in the cost of production and that far more generous exchange rates will govern the export of these products. It was, of course, the lag between rising costs and prices and the tinkering with exchange rates that has kept Rio Tinto's profits from Spain so low.

Shareholders' Hopes

Until last week the market price of Rio Tinto's ordinary shares was governed by the company's profitable investments in the Rhodesian copper companies. Now the market sees the chance of a capital distribution coupled with the possibility of high profits from Spain. That is why the price of the £5 ordinary shares went up from £26 to £34 in a week. In principle the cash that Rio Tinto receives should be distributed to shareholders. But it would be foolish to ignore some of the difficulties which stand in the way of a straightforward distribution to equity shareholders. The emphasis that the company has recently placed on exploration in Rhodesia and Canada suggests that it would like to retain some money (though this should not be an excessive sum) to meet the cost of development if these projects came to fruition. Moreover, there may be some difficulty in balancing the claims of preference and equity shareholders. The preference shares, which arose out of a share split in the 1890s, have no participating rights but they do have votes. The repayment of these shares may not be such a simple matter as the discount of 6s. 6d. on their par value of £5 would suggest. The directors deserve praise for their skill in negotiation, for the speed with which they published the details and for their promise to make an early statement on the destination of the cash.

Savoy Medley

THE Institute of Directors, in a statement last week, made two valid points on the Savoy Hotel affair. They argued, as *The Economist* did, that since Mr Milner Holland's conclusions that the Savoy scheme rested on an "invalid" use of the directors' powers were not in themselves of legal force, the law should be made certain. They added, too, that the rules laid down in the Companies Act for directors in their capacity as trustees for shareholders are minimum standards only.

Replying to questions on Tuesday, Mr Henry Strauss, Parliamentary Secretary of the Board of Trade, seemed to seek the best of both worlds. Mr Milner Holland's view was of such authority that other directors would not indulge in any such transactions in future; if they did, the matter could go to the Courts. This carries the matter no further. He also defended the absence of any disclosure in the inspector's report about the identity of the buyers of Mr Samuel's holdings: "It would have been open to the inspector to look into this matter, had he thought it relevant." There are many who would have thought this matter relevant, even though the inspector apparently did not. And on the point discussed in the report about notice of board meetings not being given to one director, Mr Strauss reiterated the inspector's conclusion that this was a mistake and "not deliberately committed for any improper reason."

Peak Demand for Steel

IN the first six months of this year about 9¼ million ingot tons of steel were produced in Britain, of which consumers in this country took about 8.6 million ingot tons—equivalent to perhaps 6¼ million tons of finished steel products. This was some 4 per cent more than they obtained in the first half of 1953, during part of which official steel allocation was still in existence. Since they were then building up their stocks of steel, and may not have been doing so this year, the actual use of steel by consuming industries in this country may have risen by as much as 8 per cent—a significant index of engineering recovery.

About three-fifths of home demand for steel is directly related to capital investment in this country, which received a stimulus in this year's budget. Exports of metal goods account for perhaps another quarter of steel consumption, and these too have shown a marked recovery. The mechanical engineering industries—here used to include machine tools, stationary engines, boilers, textile machinery, and much other "non-electrical engineering"—accounts for more than 10 per cent of home demand. The "motors, cycles and aircraft" group of industries directly takes nearly as much (some 1¼ million tons of finished steel) and indirectly consumes a high proportion of the steel originally bought by drop forgers and spring makers. Constructional engineering, shipbuilding, railway equipment, and hollow-ware account together for roughly another 40 per cent of demand. Back in 1951 the federation published estimates of the number of customers who buy steel. It calculated that though these might number as many as 150,000, some 70 per cent of the steel sold was to the 2,000 companies or organisations that bought more than 100 tons each every three months, and indeed that nearly a third was taken by 179 really big customers who bought 2,000 tons or more each every quarter. The steel industry's market is thus highly concentrated, both in terms of manufactures and of customers; and any fairly rapid change in demand for the products of certain customers can have a sharp and sudden



THE DOLLAR PRINCESS

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One of Malaya's best customers is the United States of America and American dollars from the sale of rubber are helping us all in the sterling area to build up post-war prosperity.

Since 1946, out of a total production of Malayan rubber of just under five million tons, America has bought over two and a half million tons for which she has paid 1,600,000,000 dollars.

In this way the needs of a great western nation have helped in the prosperity of a smaller Far Eastern one. Dunlop, by its invention of the first practical pneumatic tyre and of latex foam cushioning, has created a world-wide demand for rubber to the benefit of Malaya and its people.

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effect upon demand for particular steel products. The present boom in motor car output, for example, has again outpaced capacity to produce cold-reduced sheet in this country, and imports are still fairly substantial, while there are indications that another sudden switch from slackness to pressure is taking place in demand for the certain light rolled products.

Ferguson Quits Farming

THE resignation of Mr Harry Ferguson from the chairmanship of the combine formed only last August between his company and Massey-Harris may be the signal for storm cones to be hoisted by the motor industry. Mr Ferguson's energetic and controversial personality has been a force to be reckoned with in the farm machine industry for nearly a quarter of a century. He successfully pioneered, against considerable opposition, a system of direct hydraulic linkage between tractor and implement that turned the tractor from a mechanical horse into a properly integrated agricultural machine tool. Last month, the Standard Motor Company turned out nearly 5,700 Ferguson light tractors; the "Ferguson system" has become common practice and the restless Mr Ferguson has for some years been looking for fresh fields. He has been greatly attracted by the motor industry, most of which is showing much the same conservatism as the farm machine industry of 25 years ago.

Prototype small road vehicles (they can hardly be said to have crystallised yet into recognisable cars or trucks) have been built for him to test new theories of transmission for rear engine installations. To the motor industry a significant feature of these experiments is that the vehicles have not been built by any of the big motor manufacturers. Harry Ferguson has always used the production facilities of companies outside his chosen industry because these are less likely to be startled by unconventional designs. The market value of his holding in Massey-Harris Ferguson is more than £5 million, which gives him adequate capital backing for any new venture. The Ferguson tractor is light, and a great deal cheaper than any of its competitors, yet it is in no way an "austerity" tractor. If Mr Ferguson has the same success in his new venture, the light car market is due for a shaking up.

Profits from Films

ASSOCIATED BRITISH PICTURE CORPORATION, 37½ per cent of whose ordinary capital is held by Warner Brothers, has a fortunate record among British film companies, largely because it does not overdo the production side of its business. The solid backbone of the undertaking is a circuit of around 400 cinemas; film production and distribution are also parts of it. None of these branches of the company's activities let it down in the year ended March 31st. Gross profits rose by £145,536 to £2,213,312 and net profits after tax by £67,207. The 20 per cent ordinary dividend for the year has been merely maintained, but the company now shows a surplus of £745,000 of current liabilities compared with a deficit on that account of £35,000 a year earlier. The build up of the liquid position has been substantial, the more so since the chairman, Sir Philip Warter, announces that since the date of the accounts a little more than £1 million of the company's secured indebtedness has been repaid.

Students of the industry will read into the report and Sir Philip's statement two reflections. First, on the exhibiting side of the industry the company has not been immune from the general problems; it has managed to overcome them. Attendances at the company's cinemas declined in the year ended March 31st by 4.63 per cent but there was no impact on the revenue because the company offset it first by cutting down maintenance expenditure and secondly by showing advertising films, which it did not do in earlier years. Roughly a full year's revenue from screen advertising is included in these accounts and though no figures are given ABC seems to have found it very profitable to come into line with most other exhibitors. The economies on maintenance could at best be only a temporary expedient. The reduction in Entertainments Duty seems to have come just in time.

With the aid of a sum understood to be in the neighbourhood of £427,000 from the Eady Fund the company at least made no loss last year on production, but there must have been times in recent years when its continuance in the film production business hung by a thread. Two remarks from the chairman's speech seem significant. He explains that without a reduction in the Entertainments Duty it might not have been possible to continue to take part in production of British films. Sir Philip adds: "There are certain overall advantages to be gained by carrying on with it, provided that producers generally continue to receive assistance from the British Film Production Fund." That hardly sounds like a clarion call to rally round a struggling industry, but it is at least generous from a group that is so small on the production side and so large in exhibiting that it pays into the Eady Fund as exhibitor more than twice as much as it draws out as a producer.

The Pace of Denationalisation

THE sale of some 6,000 nationalised lorries out of the 13,200 that have been offered in "transport units" of a kind intended to attract "the small man" back into long-distance road haulage has taken the Road Haulage Disposals Board and the Transport Commission about a year. In the House of Commons this week the Opposition shed some crocodile tears about the slowness of this first stage of denationalisation, and the Minister of Transport made at least one interesting remark about the stages still to come.

These first sales—in which the record of bids accepted is certainly not impressive—were arranged to give the small man, if he wanted it, a head start in denationalised road haulage. Their indifferent success arose largely from a miscalculation of the market and the offering of a large proportion of the vehicles in units with their own premises, which the small man apparently did not want. The majority, nevertheless, have been sold to road hauliers who want to return to operating their vehicles over longer distances than the 25-mile limit of the "A" licence. The small man, by now, has perhaps been given enough preference; moreover, since the 25-mile limit is in any case to be abolished at the end of this year, the operating advantage that it is in the board's power to offer him is dwindling. The board and the commission are now moving on to sell the larger road transport businesses—either as units with more than 50 vehicles, or after formation into separate companies.

A variety of business interests have shown some interest in acquiring these larger units, and the board and commission have been discussing with prospective purchasers the particular form and size of operating units that might be sold. The Commission has decided, for example, that the existing parcels and smalls service of British Road Services, except for a few small units to be "hived off," shall be transferred to a single company of which the shares will be sold. Suggestions that large transport businesses on this scale might be formed and sold in such a way as to leave the Transport Commission part of the ownership and considerable responsibility in the management have recently been discussed. Mr Lennox-Boyd, in the House this week, agreed that it would be possible to find a way round the 1953 Act to achieve this—perhaps by selling a company as a whole to a purchaser who would then re-sell part of it to the Commission. He went on record as saying, "I would regard that as defying the spirit of the Act and I would not approve of it." He was somewhat less downright in affirming that the process of denationalisation "would be very well advanced by the end of this year," but he did not think such an anticipation "would be all that out in the event." Considering the fate of his earlier prophecies upon the subject, one must grant the Minister of Transport political courage as well as confidence.

Gem Diamonds in Demand

SO far the sale of gem diamonds gives no hint of the fall forecast by Sir Ernest Oppenheimer, chairman of De Beers Consolidated Mines, in his annual statement last May. He then said that as stocks had been run down to the minimum, supplies were below demand and sales were thus likely to be "somewhat lower" than in 1953. In the second quarter, however, sales of gem stones by South African and other producers through the Central Selling Organisation were £11.7 million, virtually the same as in the first quarter. Sales of industrial diamonds are running more closely to his forecast. The expected decline appeared in the second quarter, when sales were £3.3 million compared with £4.9 million in the first. Sales in the first quarter were swollen by unexpected purchases for the American strategic stock, and the latest figure presumably reflects the fall in strategic as well as industrial requirements in the United States. The results as a whole for the first half of this year seem to leave the producers with a margin sufficient to take most of the sting out of any drop in earnings during the remainder of the year; total sales in the January-June period were equivalent to an annual rate of £63.4 million, which may be compared with £61 million in 1953.

SALES BY CENTRAL ORGANISATION
(£ million)

	Gem	Industrial	Total
1953:—			
1st quarter	14·5	4·1	18·6
2nd "	8·8	4·1	12·9
3rd "	9·3	4·8	14·1
4th "	10·7	4·8	15·5
1954:—			
1st quarter	11·8	4·9	16·7
2nd "	11·7	3·3	15·0

Questions about Options

THE practice of granting options to directors to buy shares in the companies they direct is more common in the United States than in this country, but it is growing here. Income tax and surtax at present high levels make the potential capital gain that the option may bring of great significance to a director in a high tax bracket. Many of these options confer little or no immediate benefit on the director.

The option to be given to Sir Eric Bowater (chairman of the Bowater Paper Corporation), if the shareholders agree in extraordinary general meeting, is a typical example. The proposal is that Sir Eric should be rewarded for his "unsparing efforts and outstanding leadership" by the grant of an option to buy at any time in the seven years from the date of the grant 150,000 of the company's unissued ordinary shares (in whole or in part) at not less than the market price ruling on the day on which the option is granted. It is presumed that the option will actually be granted immediately after the extraordinary general meeting, though the wording of the resolution does not make this clear. Sir Eric can profit by these arrangements only to the extent that the price of the shares rises after the date on which the option was granted—an appreciation in value which would benefit every shareholder.

Such options are not immune from criticism. Any director, particularly one in a company whose fortunes can change rapidly, can take a much longer view of the prospects for the company's equity than any outside shareholder—because of his knowledge and experience of the trade. Indeed, his own decisions can affect the value of the equity.

"Motor Business"

We have just circulated to a number of companies in the motor and allied industries a special bulletin showing how business research can help to solve their problems. If you, too, would like to have a free copy of this bulletin we shall gladly send you one, provided the supply has not been exhausted.

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The general body of shareholders has neither such knowledge nor such influence. In these circumstances, should options be given to directors merely as rewards for past services?

For This Relief Much Thanks

Two concessions were promised to tax payers this week. The first lowered the rate of death duty payable on small estates and the second clarified the administrative practice relating to expense allowances under a Schedule E assessment. The Chancellor accepted an amendment from the Conservative back bench reducing death duties on the smallest estates. In effect, this amendment means that no duty will be payable on any estate valued at £3,000 or less; the present exemption limit is £2,000. On estates valued at between £3,000 and £4,000 the duty will be only 1 per cent, compared with the existing duty of 2 per cent. For estates valued at more than £4,000 the present rates of duty will still apply.

In a letter sent to the members of the Federation of British Industries and the Association of British Chambers of Commerce, the Inland Revenue authorities have given details of instructions sent out to Inspectors of Taxes on the hotly debated subject of directors' expenses. These instructions are apparently not new; they seem to be a reiteration of earlier instructions, which a handful of tax inspectors may have interpreted a little too rigorously. They remind tax inspectors that: trivial items should not be unreasonably pursued; inquiries and, in particular, requests for detailed analysis should be adapted to the circumstances of the case; in general, retrospective requests for details about expenses which were subject to dispensations before 1953-54 should not be started unless there is some reason to suspect abuse; any adjustment for "home savings" is only likely to be significant if the taxpayer is away from home for a considerable time.

These instructions, together possibly with meetings between professional organisations and the Inland Revenue to discuss the type of expenses which should be allowed as a deductible charge against tax, ought to go a long way to meet those criticisms which have recently been made about the administration of the law. These complaints have not been very numerous. When representatives of the Inland Revenue gave evidence before the Royal Commission on Taxation, figures were quoted showing that out of about 500,000 cases on expenses examined by the tax authorities only in 200 had there been complaint. Of this number the authorities believed that they had been unnecessarily harsh only in 90 instances and that only in 10 had the Inspectors of Taxes been grossly in error.

The Last Development Council

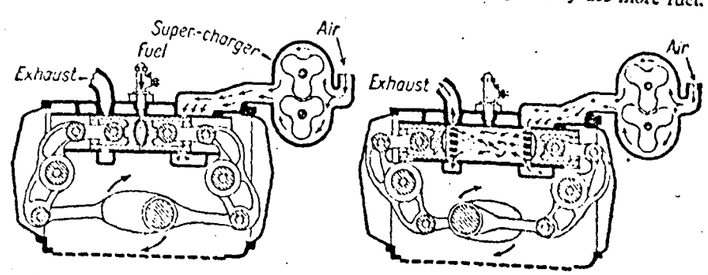
The Furniture Development Council, which published its fifth annual report this week, is the last survivor of the Development Councils set up during Mr Harold Wilson's sojourn at the Board of Trade (the Cotton Board existed long before). Although its future does not come up again for review by Parliament for another three years, the Council has reached a crisis in its affairs. Its main preoccupation since it was established in 1949 has been with the evolution of performance tests for furniture. These were designed to check on the quality of construction; if a piece of furniture survives the continuous application of loads reproducing normal wear, it can be counted as reasonably sound whatever its design and however it is made. All these tests have now been completed, accepted by the industry and published by the British Standards Institution; they are, in fact, the only concrete result of the Government's scheme for minimum quality standards to be administered by the BSI.

The Development Council must now find some other means of occupying its time and of justifying the compulsory levy on the industry by which it is financed. This raised £21,700 in 1953, with a further £1,800 still to be collected, and the industry is entitled to ask what it gets for its money. Some groups of manufacturers have consistently opposed the continued existence of the Development Council, and have extended their opposition to the performance tests and the standards associated with them. It will be difficult to silence these critics by providing technical information services—that they rarely use—or conferences on productivity and management, no matter how badly the industry needs such advice. The most valuable contribution that the FDC has made to date has been the introduction of laboratory facilities into an industry with no tradition of research. The small research centre that evolved the performance tests is beginning to investigate the fundamentals of furniture construction in the hope that in time it will be able to tell the industry with scientific accuracy how strong a piece of furniture will be for any given design and set of dimensions. In the long run, data of this kind might make it possible to economise considerably on materials—which make up a high proportion of total costs. The industry might be grateful for such advice in less affluent times, but at the moment it is doing remarkably well. So far this year, retail sales of furniture have been 6 per cent higher in value than over the same period of 1953.

New Ideas in Diesels

The reputation and sales of the Rootes Group—as is to be expected of a group whose founders came into the industry rather through the showroom door than the factory entrance—have been founded on attractively styled vehicles designed with a firm appreciation of what the customer wants rather than on technical innovation. But the 90 hp Diesel engine that the group has just added to the Commer range of commercial vehicles is a highly unconventional design that shows considerable technical originality. The engine has horizontal cylinders (in this case, three of them) each of which contains two opposed pistons; combustion takes place between them. Each piston is connected by a piston rod, a heavy rocker arm, and a conventional connecting rod, to a single six-throw crankshaft. Instead of valve gear, there are two rows of ports in the wall of each cylinder, one row, the inlet ports, being covered and uncovered in each revolution by one piston and the exhaust ports being covered and uncovered by the other piston. Fuel is injected according to conventional Diesel practice, but air is fed in under pressure from the supercharger and thus two-stroke operation is achieved (that is, one explosion in each cylinder for every revolution) instead of one every other revolution as with more normal four-stroke engines.

A test carried out by the *Commercial Motor* reports that a coach powered by this engine had a maximum speed of 68 m.p.h., and at an average speed of 43.6 m.p.h. the fuel consumption was 20 m.p.g. A petrol engine would probably not give much, if any, more than 10 m.p.g. in comparable conditions. A slightly lower consumption would probably be given by the highly efficient but costly Diesel engines built by the specialist heavy vehicle manufacturers; but the lower priced engines made by the proprietary Diesel engine manufacturers would probably use more fuel.



Marchon Moves on

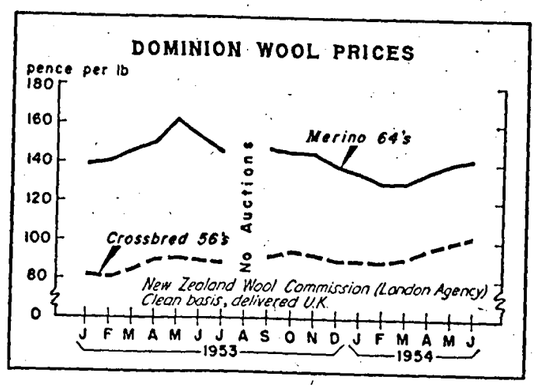
One of the new small companies to have emerged since the war in the chemical industry is Marchon Products, Ltd. The company recently completed another stage in its £6 million development plan with the opening of a £500,000 high-pressure hydrogenation plant at Whitehaven in the West Cumberland Development Area. This plant will produce 4,000 tons of higher fatty alcohols a year for detergents, pharmaceuticals, and plasticisers. Most synthetic detergents are based on oil or coal-tar products. Marchon claims, however, that fatty alcohol sulphates, based on vegetable oils, are equally satisfactory and have been widely used already in the United States.

To provide the company's financial requirements for a period of about two years an issue of £600,000 5 per cent debentures (1974/77) has been made. The stock has just been placed privately by Cazenove, Akroyds and Greenwood and Company at £99 per cent. No quotation is at present to be sought. The company has an issued capital of £700,000 in £350,000 preference shares held by Industrial and Commercial Finance Corporation which has hitherto nursed its development and £350,000 or equity capital partly held by ICFC and partly by the founders of the business. It is contemplated that the company may ultimately require still more finance. If so it will be found by way of ordinary share issues and a quotation will be sought for both the ordinary shares and the debenture stock.

The company is likely to meet exceedingly stiff competition. Nearly 700,000 tons of detergents are being sold in this country annually, and some estimates put the share of synthetic detergents in the total at as low as one-fifth. The two principal suppliers are Monsanto Chemicals and Shell Chemicals; ICI sells on a smaller scale. British Petroleum Chemicals, the company jointly owned by Distillers and Anglo-Iranian, is putting up a substantial detergent plant to operate on refinery gases supplied from Anglo-Iranian's Grangemouth refinery. Marketing in such a field of competition will not be easy.

Wool Sales Quiet

The final series of the 1953/54 wool sales in London opened rather quietly this week. Crossbred combing wools met a satisfactory demand, particularly the finer qualities, and prices were on a par with the closing level of the May sales. There was little demand for merino wools, however. The Continent showed no interest and Bradford firms were only willing to buy at prices that were about 5 to 7½ per cent lower than in May; many lots were withdrawn. The first day's sale is not necessarily a reliable guide; many buyers wait for prices to be established before entering the market. But as far as this country is concerned, the trend of prices is not entirely surprising. Having bought considerably more wool from the Dominions in the last months of the season, Bradford firms appear to have sufficient merino wool arriving to cover their commitments. New business in merino tops is scarce and prices have been reduced slightly. The trade is in any case reluctant to add to its stocks before the start of the Dominion auctions in September provide a guide to the new season's prices.



But fine qualities of crossbred wools, which will not be offered in the Dominions until late in October, are still needed by topmakers. This is illustrated by the latest figures of activity in the wool industry in May. The summary of the Wool Industry Bureau of Statistics shows that the increase in the rate of production of wool tops—the largest use for virgin wool—was mainly in crossbred tops, output of which was the best since the war and 5½ per cent better than a year ago. The rate of production of merino tops, on the other hand, was 12½ per cent less than a year ago, reflecting mainly the continued substitution of the cheaper crossbred wools. The total rate of consumption

of wool in May, which was appreciably better than in April —though still 6½ per cent less than a year ago—was principally in topmaking; consumption in the woollen section of the industry showed little improvement.

Half Year of Capital Issues

THE flow of new capital issues has quickened with the rise in Stock Exchange activity and prices. The statistics measuring this flow are set out on page 147. They show that the new issue market remains dominated by British Government and Government Guaranteed issues. In the first six months of this year, new issues made by direct offers to the public and to shareholders totalled £540 million, compared with £450 million in the first six months of 1953. Of this total, £400 million consisted of Government issues.

The predominance of Government scrip, however, does not hide a remarkable increase in issues made by British and foreign companies; direct offers by these companies amounted to £118 million, compared with £55½ million. This sector of the market was also dominated by a handful of large issues, including those of Imperial Chemical Industries, Dunlop Rubber Co. and Rolls Royce as well as the offers for sale of Lancashire Steel and Stewarts and Lloyds. Beneath these breakers, of course, lay the swell of smaller issues; here the investment trusts (following the lifting of the ban) and the textile companies (following the revival in trade) made a noticeable contribution.

The last six months also witnessed a return to favour of fixed interest stocks, a revival associated quite naturally with the fall in interest rates. It was the smaller companies which usually raised their new money by direct offers of equity stocks, which brought the six monthly total to nearly £57 million (against about £22 million). The giants of British industry relied more on preference and debenture issues suitable for institutional investors. In the first half of the year, direct offers of preference stocks amounted to nearly £20½ million (against only £5 million) and of debenture stocks to £41 million (against nearly £29 million). As yet the flow of new issues shows few signs of slackening or of any change of pattern.

SHORTER NOTE

Roughly 3 million tons dw of tanker tonnage are now laid up throughout the world, out of a total world fleet of some 36 million tons; and deliveries of new tankers are continuing at a rate of some 4 million tons a year, some 13 million tons dw being on order at the end of last year. The surplus of tonnage has brought the average level of freights, taking time and spot charter rates as a whole, down by another 10 per cent in the last three months; but spot market rates have fallen as much as 45 per cent in the same period.

Company Notes

LONDON COUNTY FREEHOLD. London County Freehold and Leasehold Properties, the landlords of "Key" flats, are pre-eminent among the owners of middle-class flats in the London area. The Housing Control and Rents Bill means a good deal to the company. But that story remains to be told; the present report shows few changes. The dividend for the year remains at 11½ per cent (1s. 1½d. per 10s. unit). The group net revenue rose slightly from £284,861 to £295,294. The gross rental, substantially controlled by the Rent Restriction Acts, rose by £76,779 to £2,294,026; but £50,879 of that increase was represented by an increase in general rates. This is not in itself an exciting picture, but from the accounts and the directors' report shareholders can glimpse dimly the shape of things to come.

First the directors explain that their standard of repairs is such that the proposed increase for repairs under the new Bill appears to be recoverable in respect of all its controlled dwellings. Secondly the report shows graphically that its 1954 cost of repairs is roughly 3½ times and its cost of services roughly 2½ times the 1939 figure. Evidently the disadvantages of the present law are severe, even though they are offset by voluntary contributions from many tenants. A further point which investors will have to remember is that the properties are taken into account at 1925 valuations plus later additions and improvements at cost. The book value is substantially below market value or replacement value.

The directors disclose part of their intention for the current year. It is to increase the annual sinking fund provision to provide against loss on expiration of the leases or when the freehold properties require to be rebuilt. That is all the directors say; if it were the only thing they would do it would cut into, rather than embellish, shareholders' chances. Fortunately when the present Bill becomes law the company will also have an addition to its income. So it may be inferred that both the balance sheet valuation of the properties and the sinking fund provisions will rise together and that part of the increase in revenue will be absorbed into higher sinking funds.

★

BRITISH GLUES AND CHEMICALS. British Glues and Chemicals has staged a good recovery from the 1952-53 setback. In the year to March 31st sales both at home and abroad increased and trading profits, in spite of a reduction in some selling prices, more than doubled from £419,199 to £874,725. The recently introduced cold rendered tallows and glues have made an important contribution to these results. The company has also been able to reduce its stock and to reinforce its liquid balances.

In these circumstances it is not surprising that shareholders have received everything for which they have been hoping. The ordinary dividend has been raised from 15 to 20 per cent and the directors propose to make a free scrip issue of two new 4s. ordinary shares for every £1 of ordinary stock held. This dividend and scrip issue had been anticipated by the "bulls" and after the announcement the 4s. ordinary shares put on only 3d. to 15s. 9d., to offer a yield of 5½ per cent. This yield suggests that investors are already considering the possibility of a higher dividend in the current year. They may gain slight satisfaction from the chairman's comment that so far in this financial year "trading has continued to be satisfactory" and that the year as a whole will show "a reasonable profit."

The directors have chosen this year of recovery as the time for cancelling the participating rights attached to the 8 per cent cumulative preference shares. In return for the loss of these rights (which at the best mean an additional dividend of 2 per cent when the ordinary dividend is not less than 15 per cent) preference shareholders are to receive as free scrip two new 4s. ordinary shares for every £3 of preference stock in issue. Preference shareholders should benefit from this change for if the ordinary dividend is 15 per cent they will receive exactly the same income as before. If the ordinary dividend is either higher or lower than 15 per cent they will actually gain a little.

	Eleven months ended Mar. 31, 1953	Year ended Mar. 31, 1954
	£	£
Consolidated earnings:—		
Trading profit	419,199	874,725
Depreciation	109,359	117,057
Taxation	137,000	359,000
*Net profit**	*106,424*	*317,896*
Ordinary dividends	45,032	60,500
Ordinary dividends (per cent)	15	20
General reserve	250,000	175,000
Replacement reserve	80,000	80,000
Added to carry forward	4,091	7,408
Cons. balance sheet :—		
Fixed assets, *less* depreciation	1,061,608	1,023,583
Net current assets	1,397,488	1,865,571
Stocks	768,348	682,557
"Quick" assets	757,949	1,231,123
Reserves	1,209,672	1,459,155
Ordinary capital	1,300,000	1,300,000

4s. ordinary stock at 15s. 9d. yields £6 2s. per cent.
* Before transfers from tax provisions (1953: £300,000; 1954: £100,000).

★

BARCLAY PERKINS AND WHITBREAD. The trend in beer consumption is still disappointing and the profits of the brewers are little more than stable. In the year to March 31st last, the trading profits of Barclay Perkins rose by only £76,374 to £1,042,671. But this brewing company is yet another which has decided to raise its ordinary dividend. The payment goes up from 6 to 8 per cent. This increase added only 6d. to the price of the £1 ordinary shares, which at 26s. offer a yield of about 6½ per cent. It was presumably the increase in net profits (from £150,659 to £275,458) which encouraged the directors to take this step; the increase in the net figure was due mainly to the reduction in the provisions for depreciation, renewals and deferred repairs.

Whitbread has had a much better time of it than Barclay Perkins. In tracing out the reasons for the advance in trading profits from £2,237,217 to £2,930,836 and the "good year" of results in general the chairman drew attention to five factors. They were: more reasonably priced raw materials; the investment of further capital in new equipment; economies arising from the redeployment of distribution stores; the demand for higher quality and higher priced bottled beers; and the writing back of sums over-provided for tax in earlier years. Barclay Perkins, by widening its interests in bottled beers and mineral waters and by its absorbtion of smaller breweries, is yet another brewery following the path on which Whitbread has made such impressive strides.

★

ASPRO. The 5s. ordinary stock units of Aspro did not lag behind other equities in the stock market advance. Investors were hoping that the company, which has a high earnings record, would break away from its conservative dividend policy. These hopes gained strength from the 100 per cent free scrip issue at the beginning of the year; they were not disappointed, for the directors have effectively increased the ordinary dividend from 17½ per cent to 22½ per cent by paying a final dividend of 13¾ per cent on the new capital of £1 million in addition to the interim dividend of 17½ per cent on the original capital of £500,000. On the basis of 22½ per cent dividend the 5s. stock units offer a yield of 6.3 per cent at the current price of 18s.

The decision to raise the equity dividend followed directly on further increases in the sales of "Aspro" and on the advance in trading profits (from £867,967 to £996,411) and in net profits (from £346,601 to £459,370). In their preliminary report the directors draw attention to a "fundamental change of policy" reflected in the purchase of the rights over two household products.

LONDON STOCK EXCHANGE

Next Account begins: July 21st
Next Contango Day: July 21st
Next Settlement Day: July 13th

THE tempo on the Stock Exchange has been quickened by Monday's two conversion offers to holders of the Serial 1¾ per cent 1954 stock. Since Tuesday gilt-edged and industrials have been moving up together. The *Financial Times* industrial index reached a new peak with the opening of the new account on Wednesday and the gilt-edged and fixed interest indices have moved to their highest points of this year. The lower yield basis implied in the conversion offer has been accepted in the market and rises have occurred right through the gilt-edged list. In the week ending on Wednesday War Loan 3½ per cent has risen ¾ to 88⅞; Savings 3 per cent 1960/70 has risen ⅝ to 95⅞ and conversion 3½ per cent 1969 has risen ½ to 101¾. Among foreign bonds Roumanians have gained, the 4 per cent Consols advancing from 20¼ to 21⅛. Peruvian Corporation stocks have improved, the 6 per cent debenture gaining ¾ to 53.

A vigorous market continued in most groups of industrials despite some signs of slowing down on Thursday. ICI have been reaching new peaks, gaining 4s. 3d. on the week at 74s. 3d. The modest premium on Stewarts and Lloyds has been easily maintained at 3d. and the other steel shares resold to the public have moved up in sympathy, Lancashire Steel gaining 6d. to 20s. 4½d. Activity in the stores group has continued. Grattan Warehouses have risen 3s. 1½d. to 50s. 1½d., "Gussies" 2s. 6d. to 84s. Among aircraft shares the recent strength of Hawker Siddeley has been fully maintained with a further rise of 2s. 9d. to 78s. 6d. The electrical and radio group has also been strong.

Rubber shares have enjoyed moderate rises in sympathy with the advance in the commodity price. Moderate rises have occurred in the mining finance house shares, central mining rising 9d. to 34s. 6d., and copper shares have been in demand, Nchanga rising ¼ to 9⅞, and Rhodesian Selection Trust 10½d. to 19s. 4½d.

SIX MONTHS' CAPITAL ISSUES
(Excluding Conversions)

Six months to June 30	Old Basis* 1953	Old Basis* 1954	New Basis† 1953	New Basis† 1954
	Total Borrowing (£ million)			
Br. Govt.‡	345·0	400·3	356·6	422·0
Br. Corp.(a)	34·5	10·8	34·5	10·8
Br. Cos	54·9	109·6	71·6	131·5
Br. Total	*434·4*	*520·7*	*462·7*	*564·3*
Empire	15·8	19·3	22·0	19·7
Foreign	Nil	Nil	Nil	Nil
Total	**450·2**	**540·0**	**484·7**	**584·0**
Indices	184·0	320·6	345·0	415·4
	Total Company Issues (£ million)			
Deb.	28·7	41·1	32·3	47·0
Pref.	5·0	20·4	7·8	24·0
Ord.	21·8	56·7	36·5	69·1
Total	**55·5**	**118·2**	**78·6**	**140·1**

Six months to June 30	Old Basis* 1953	Old Basis* 1954	New Basis† 1953	New Basis† 1954
	Analysis of Issue Applications (£ thousand)			
Br. Govt.‡	345,028	400,305	356,608	421,970
Br. Corp. (a)	34,508	10,810	34,508	10,810
Dom. & Col. Govt.	15,263	10,638	16,969	11,073
For. Govt.	Nil	Nil	Nil	Nil
Bank & Ins.	50	10,770	50	13,231
Oil	19,700	Nil	19,700	Nil
Eng'ing, etc.	3,472	2,545	5,960	5,632
Electrical	999	489	1,802	1,459
Textiles	198	1,094	198	4,572
Motors, etc.	7,476	4,943	10,518	5,487
Breweries	2,623	1,669	3,364	1,718
Shipping	1,645	Nil	2,363	350
Mines	1,529	7,841	4,759	7,841
Others	17,797	88,863	27,916	99,882
Total	**450,288**	**539,967**	**484,715**	**584,025**

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

FINANCIAL TIMES INDICES

1954	Security Indices Ord.*	Security Indices Fixed Int.†	Yields 2½% Cons.	Yields Ord.
			%	%
June 30	155·7	114·99	3·76	4·96
July 1	156·1	114·92	3·76	4·93
„ 2	156·6	114·97	3·76	4·94
„ 5	156·8	115·02	3·76	4·93
„ 6	156·9	115·16	3·75	4·93
„ 7	158·2	115·27	3·74	4·88
			Total bargains	
1954, High	158·2 (July 7)	115·27 (July 7)	1954 June 30	10,827
„ Low	131·1 (Jan. 1)	111·78 (Jan. 5)	July 1	10,817
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 2	11,459
„ Low	113·9 (May 20)	105·68 (Jan. 5)	„ 5	15,118
			„ 6	13,484
			„ 7	...

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to July 7 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, June 30, 1954	Price, July 7, 1954	Net Yield, July 7, 1954 § £ s. d.	Gross Yield, July 7, 1954 § £ s. d.
100¼	99⅞	Exchequer 2½% 1955	100⅛	100⅛	0 3 3	1 16 7
105⅛	101⅛	Exchequer 3% 1960	105⅛	105⅛	0 16 0	2 4 1
103 15/32	99 13/32	Exchequer 3% '62-63	103 15/32	103 13/32	1 3 11	2 10 7
100 3/32	99⅛	Serial Funding 1¾% 1954	100 1/32	100 3/32	...	1 2 0
...	...	S. Fdg. 1¾% 1954 Ass. Exc.	...	99 13/32	1 7 8	2 10 2
...	...	S. Fdg. 1¾% 1954 Ass. Fdg.	...	97⅛	2 0 4	3 12 7
101 3/32	99 13/32	Serial Funding 2½% 1957	101 3/32	101 3/32	0 17 2	1 18 2
101⅛	100 13/32	Serial Funding 3% 1955	101⅛	101⅛	0 7 6	1 17 2
101 3/32	100	War Bonds 2½% '54-56	100⅛	100 3/32	0 17 0	2 3 8
101 3/32	100 3/32	Funding 2½% '52-57	100⅛	100⅛	1 6 2	2 11 5
101 13/32	100 3/32	Nat. Def. 3% '54-58	100 4/11	100 4/11	0 7 0	1 11 1
100 3/32	99 13/32	N. Def. (Ass.) 3% '54-58	99 13/32	100 3/32	1 1 10	1 19 8
102⅛	101⅛	War Loan 3% '55-59	102 3/32	102 3/32	1 6 4	2 14 4
100⅛	95 13/32	Savings Bonds 3% '55-65	100 3/32	100⅛	1 14 1	3 2 3
101 3/32	97⅛	Funding 2½% '56-61	101	101 3/32	1 5 2	2 8 5
96⅛	92 3/32	Funding 3% '59-69	95⅞	96⅛	1 19 6	3 7 8
97 3/32	93 13/32	Funding 3% '66-68	96⅛	97⅛	1 17 4	3 4 6
103 13/32	100 13/32	Funding 4% '60-90	103⅜	103 13/32	1 11 8	3 8 3
95⅛	90⅜	Savings Bonds 3% '60-70	94⅞	95 3/32	2 0 11	3 9 7
95 3/32	90⅛	Savings Bonds 2½% '64-67	94	95 3/32	1 16 7	3 0 3
105 3/32	101 3/32	Victory 4% '20-76	104 3/32	105 3/32	1 15 11	3 12 2
93⅛	87⅜	Savings Bonds 3% '65-75	92 3/32	93	2 2 0	3 11 1
97 3/32	93⅛	Consols 4% aft. Feb. '57	95⅜	96⅛	2 5 6	4 2 8
89 13/32	84⅞	Conv. 3½% aft. April '61	88⅜	89 3/32	2 3 3	3 19 0
101⅜	99 3/32	Conv. 3½% 1969	101⅛	101⅜	1 16 10	3 9 1
100 3/32	99 3/32	Conv. 2½% 1958-59	99⅛	100 3/32	1 1 11	1 19 10
68⅛	63 3/32	Treas. 2½% aft. April '75	66⅛	67	2 1 3	3 15 5
79⅜	74 3/32	Treas. 3% aft. April '66	78⅛	78 3/32	2 2 4	3 17 3
97 3/32	92 13/32	Treas. 3½% '77-80	96 3/32	97 3/32	2 1 7	3 13 10
98⅛	92 3/32	Treas. 3½% '79-81	97⅛	98 3/32	2 0 11	3 13 8
88⅛	83	Redemption 3% '86-96	88⅛	88 3/32	2 1 8	3 11 6
89 3/32	84 3/32	War Ln 3½% aft. Dec. '52	87 3/32	88 3/32	2 3 9	3 19 8
69 3/32	63 3/32	Consols 2½%	66⅛	66⅛	2 1 2	3 14 10
93 3/32	88 3/32	Br. Elec. 3% '68-73	92⅛	93 3/32	2 2 3	3 11 0
92⅛	87 13/32	Br. Elec. 3% '74-77	91 13/32	92⅛	2 1 8	3 10 7
107⅛	103 3/32	Br. Elec. 4½% '74-79	106⅛	107 3/32	1 18 11	3 16 5
97⅛	93 13/32	Br. Elec. 3½% '76-79	97	97⅛	2 1 1	3 13 4
88⅛	83 3/32	Br. Trans. 3% '78-88	87 3/32	87⅛	2 3 3	3 12 8
93 3/32	88 13/32	Br. Trans. 3% '68-73	92 13/32	93⅛	2 2 4	3 11 1
103⅛	100⅛	Br. Trans. 4% '72-77	102⅛	103 3/32	2 0 0	3 15 6
88⅛	84⅛	Br. Gas 3% '90-95	88 3/32	88⅛	2 1 6	3 11 1
100 13/32	96⅛	Br. Gas 3½% '69-71	100 3/32	100⅛	1 18 5	3 10 9
104 13/32	99⅞	Br. Gas 4% '69-72	104⅛	103⅛	1 18 0	3 12 11

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 11½ years approximately.

Prices, 1953 High	Low	Prices, 1954 Jan. 1-July 7 High	Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, June 30, 1954	Price, July 7, 1954	Yield, July 7, 1954 £ s. d.
92	84⅛	95⅛	90⅛	Aust. 3½% '65-69	93⅛*	93⅛	3 17 0
...	...	98 3/32	97⅛	Ceylon 4% '73-75	97	97	4 4 5
98 13/32	98 3/32	102⅛	98⅛	N. Zealand 4% '76-78	102	102	3 17 4
73⅛	66⅛	77⅛	71⅛	L.C.C. 3% aft. 1920	76	76	3 18 11
95⅛	90⅜	97⅛	95	Liverpool 3% '54-64	97	97	3 7 2
81⅛	73⅛	84 3/32	80⅛	M.Wtr. 'B' 3% '34/2003	83⅛	84⅛	3 13 8
104⅛	101⅛	104⅛	101⅛	Agric. Mort. 5% '59-89	102⅛	102⅛	4 4 10
74⅛	49⅞	95⅛	71⅛	German 7%	81⅛	82	...
102⅛	65	142	102	German 5½%	120	119	...
139⅛	119	159⅛	132⅛	Japan 5% 1907	149⅛	149	...
176	136	186⅛	168⅛	Japan 5½% Conv. 1930	17*	178⅛	...

Prices, 1954 Jan. 1 to July 7 High	Low	Last Two Dividends (*a*)	(*b*)	(*c*)	ORDINARY STOCKS	Price, June 30, 1954	Price, July 7, 1954	Yield, July 7, 1954 £ s. d.
		%	%		BANKS & DISCOUNT			
48/1½	42/3	16	*c*	5	*a* Barclays £1	48/-	46/-*	4 6 11
63/9	58/9	14	*c*	7	*a* Lloyds 'A' £5, £1 pd.	63/-	62/6*	4 9 7
82/3	74/9	8	*b*	8	*a* Midland £1, fully pd.	79/-	80/6	3 19 6
81/-	72/7½	8½	*b*	8½	*a* N. Prov. 'B' £5, £1 pd.	78/6	78/-*	4 7 2
91/6	79/6	18	*c*	10	*a* Westminster £4, £1 pd.	85/-	90/6	3 19 7
117/6	92/-	17½	*b*	7½	*a* Alexanders £2, £1 pd.	116/3	108/9*	4 11 11
49/3	40/10½	5	*b*	5	*a* Nat. Disc. 'B' £1	48/-	48/-	3 2 6
51/6	43/6	5	*b*	5	*a* Union Disc. £1	50/-	49/-*	4 1 8
43/3	37/6	4	*b*	4	*a* Barc. (D.C.&O.) 'A' £1	42/6	42/6	3 15 4
45/7½	40/3	7	*a*	7	*b* Chart. Bk. of India £1	44/6	44/6	6 5 10
					INSURANCE			
13⅛	9⅛	50	*a*	85	*b* Leg. & Gen. £1, 5/- pd.	13	13½	2 10 0
22½	20⅛	20	*a*	40	*b* Pearl £1, fully pd.	21⅛	22⅛	4 18 1
42⅛	35⅛	105	*c*	112½	*c* Prudential 'A' £1	41⅛	42	4 17 4
					BREWERIES, ETC.			
131/3	125/3	33	*b*	10	*a* Bass £1	126/10½	126/10½	6 15 7
21/11½	17/4½	15	*b*	7½	*a* Distillers 4/-	21/3	21/6	4 3 9
35/-	31/-	11	*b*	8	*a* Guinness 10/-	34/6	34/6	5 10 2
84/3	60/-	8	*a*	15	*b* Whitbread 'A' Ord. £1	82/6	81/3*	5 3 4

† Free of tax. Yield calculated on gross basis. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Whole year's dividend. (*d*) Yield basis 21%. (*e*) To earliest date. (*f*) Flat yield. (*g*) Yield basis 13½%. (*h*) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 14·8%. (*i*) Yield basis after capital bonus. (*k*) Yield basis 8%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution. (*q*) Yield basis 21·97% gross. (*r*) Yield basis 32½%. (*s*) Yield basis 12½%. (*t*) In addition 2½%, not subject to tax, from capital profits. Yield basis 10%. (*v*) Yield basis 7½%. (*w*) Yield basis 20%. (*x*) Yield basis 18·18% gross. (*y*) Yield basis 11%, after capital bonus. (*z*) Yield basis 11½%.

Prices, 1954 Jan. 1 to July 7 High	Low	Last Two Dividends (*a*)	(*b*)	(*c*)	ORDINARY STOCKS	Price, June 30, 1954	Price, July 7, 1954	Yield, July 7, 1954 £ s. d.
		%		%	STEEL & ENGINEERING			
62/9	41/4½	12½	*c*	15	*c* B.S.A. £1	58/6	62/3	4 16 4
12/4	8/9	5	*a*	10	*b* Cammell Laird 5/-	16/6	11/-	6 14 5
59/10½	49/9	5	*a*	10	*b* Guest Keen N'fold £1	34/9	35/3	5 13 0
35/5½	34/6	...		...	Stewarts & Lloyds £1	58/3	58/3	5 3 0
24/11½	22/-	7½	*b*	4	*a* United Steel £1	24/3*	24/6	7 6 11
37/3	23/9	2½	*a*	12½	*b* Vickers £1	35/-	34/6	4 6 11
					TEXTILES			
42/-	32/-	4	*a*	11	*b* Bradford Dyers £1	41/-	41/6	7 4 7
32/4½	24/9	6	*a*	12	*b* Brit. Celanese 10/-	28/6*	27/9	6 9 9
31/4½	24/8	5	*a*	10	*b* Coats (J. & P.) £1	56/6	27/6	5 9 1
33/1½	25/2	6¼	*a*	4½	*b* Courtaulds £1	32/6*	32/6	4 18 6
60/6	47/4½	10	*b*	10	*a* Lancs. Cotton £1	59/-*	58/3	6 17 4
79/6	64/-	5	*a*	15	*b* Patons & Baldwins £1	71/6	69/-*	5 15 11
					ELECTRICAL			
55/3	41/9	7½	*a*	7½	*b* Assoc. Elect. £1	54/9	55/-	4 1 10
45/4½	38/-	2¼	*a*	(*l*) 7½	*b* B.I.C.C. £1	44/9	44/9	4 9 5
47/-	38/6	5	*a*	6½	*b* English Elect. £1	45/3	46/3	4 6 6
45/-	37/9	3½	*a*	7½	*b* General Elect. £1	42/6	43/9	5 2 10
					MOTOR & AIRCRAFT			
23/7½	18/6	3¼	*a*	6½	*b* Bristol Aeroplane 10/-	22/9	23/3	4 6 0
9/10½	6/3½	6½	*b*	4	*a* British Motor 5/-	9/7½	9/9	5 7 8
30/3	23/4½	7½	*c*	7½	*c* De Havilland £1	25/-	27/-	5 11 1
78/6	47/7½	9	*b*	12	*c* Ford Motor £1	63/3	65/-	3 13 10
98/9	80/6	25	*c*	6	*a* Hawker Siddeley £1	75/7½*	78/3	3 16 8
105/7½	66/-	5	*a*	12½	*b* Rolls Royce £1	93/9	95/-	5 5 3
7/9	5/5½	12	*c*	12	*c* Standard Motor 5/-	94/4½	105/-	3 8 8
					SHOPS & STORES	7/6	7/9	7 14 10
27/-	22/9	10	*a*	12½	*b* Boots Pure Drug 5/-	26/-	27/-	4 3 4
42/3	32/-	15	*b*	7½	*a* Debenhams 10/-	38/1½	41/10½*	4 15 7
84/3	53/3	37½	*b*	15	*a* Gt. Universal 5/-	82/-	84/-	3 2 6
109/-	92/9	5	*a*	17½	*b* Lyons (J.) 'A' £1	100/-	100/6	4 9 5
59/-	36/11	20	*a*	45	*b* Marks & Spen. 'A' 5/-	98/-	57/-	2 17 0
80/6	64/-	40	*b*	20	*a* Woolworth 5/-	75/9	78/3*	3 16 8
					OIL			
13⅞	8⅛	5	*a*	37½	*b* Anglo-Iranian £1	13⅞	12⅛	3 6 2
£41⅛	£28	4	*a*	12	*b* Royal Dutch 100 fl.	£49*	£40½	3 1 6
106/9	77/10	5†	*a*	10†	*b* Shell Reg. £1	123/1½	103/1½	4 8 2
25/7½	17/6	15†	*b*	5†	*a* Trinidad L'holds 5/-	24/6	23/3	3 18 2
34/9	25/3	...		...	Ultramar 10/-	31/-	29/6	Nil
					SHIPPING			
44/-	36/7½	16	*c*	2½	*a* Cunard £1	39/6	39/6	8 2 0
38/7½	30/3	12½	*c*	12	*c* Furness Withy £1	35/-	34/6	6 19 2
43/3	31/3	6	*a*	16	*b* P. & O. Def. £1	39/-	39/6	5 11 6
35/3	24/10½	(*p*) 10	*c*	10	*c* Royal Mail £1	27/-	27/-	7 8 2
					MISCELLANEOUS			
84/-	67/9	5	*a*	12½	*b* Assoc. Port. Cem. £1	80/-*	83/9	4 3 7
70/-	44/-	15	*c*	16	*c* Bowater Paper £1	62/6	67/6	4 14 10
40/-	33/9	4	*a*	6	*b* Brit. Aluminium £1	37/6	37/6	5 6 8
43/3	36/3	12½	†*c*	4½	†*a* Brit. Amer. Tob. 10/-	38/-	39/-	5 6 8
$49½	$38½	3	*b*	3	*a* Canadian Pacific $25	$47*	$47½	5 16 5
40/10½	32/6	35	*c*	13½	*a* Decca Record 4/-	38/-	40/6	6 14 9
25/4½	18/5	11½	*c*	14	*c* Dunlop Rubber 10/-	24/9	25/3	5 11 1
74/10½	53/-	6	*a*	9	*b* Imp. Chemical £1	70/3	74/3	4 0 9
58/7½	49/3	8½	*a*	11½	*b* Imp. Tobacco £1	52/-	53/-	7 10 11
$77⅛	$63½	$2·60	*c*	$2·35	*b* Inter. Nickel n.p.v.	$76⅛	$76⅛	5 9 11
60/3	51/6	7½	*a*	9	*b* London Brick £1	57/-	60/-	4 6 8
70/3	63/6	12½	*b*	3½	*a* Tate & Lyle £1	67/6	68/-	4 14 1
71/-	60/6	7½	*b*	7½	*a* Tube Investments £1	82/6	67/8	4 8 11
86/3	69/-	17½	*c*	5	*a* Turner & Newall £1	66/3	67/8	4 4 10
83/-	57/6	6	*a*	9	*b* Unilever £1	79/6	82/6	4 4 10
38/3	30/3	4¼	*a*	7½	*b* United Molasses 10/-	32/-	32/-	3 16 10
34/10½	28/-	Nil	*c*	10†	*c* Cons. Tea & Lands £1	33/3	33/3	6 17 4
2/4½	1/10	10	*c*	10	*c* London Asiatic Rbr. 2/-	2/1½	33/9	10 15 5
38/3	25/2	5	*a*	15	*b* United Sua Betong £1	33/9	2/3	8 17 3
					MINES		37/6	7 2 3
7⅛	5⅜	20	*a*	40	*b* Anglo-Amer. 10/-	7⅛	7⅛	
100/-	68/3	80	*a*	120	*b* De Beers 5/- Bearer	95/7½	99/10½	4 1 3
101/10½	56/6	...		...	Free State Geduld 5/-	84/4½	83/1½	10 1 3
76/3	54/9	8½	*c*	10	*c* Randfontein £1	60/3*	58/1½	Nil
6/7½	4/10½	22	*c*	24	*c* London Tin 4/-	6/3	6/4½	3 8 10
25	16⅛	175	*b*	50	*a* Rhokana £1	25	25	15 1 2

* Ex dividend.

New York Closing Prices

	June 30	July 7		June 30	July 7		June 30	July 7
	$	$		$	$		$	$
Balt. & Ohio	23	23⅛	Am. Smelting	36	36⅛	Inter. Paper	74	75
Can. Pac.	26⅛	26⅛	Am. Viscose	36⅞	36	Nat. Distill.	17⅛	18
N.Y. Cent.	21⅛	21	Cel. of Amer.	21⅜	22⅛	Sears Rocbuck	64⅛	65
Pennsyl.	16	16⅛	Chrysler	65	63⅞	Shell	46⅜	47
Amer. Tel.	166⅞	167⅜	Gen. Elec.	46	47¼	Std. Oil of N.J.	86⅛	87
Stand. Gas	12⅛	12⅜	Gen. Motor	72⅜	73⅛	U.S. Steel	49	49⅛
United Corp.	5⅜	5⅜	Goodyear	65⅞	67⅜	Westinghouse	72⅛	73⅛
W. Union Tel.	40⅜	41⅛	Inter. Nickel	41⅛	43⅛	Woolworth	42⅞	43⅛
			† New Stock.					

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages	July 3rd	Western Europe:	
Production and Consumption	This week	Production and Trade	July 3rd
Manpower	June 19th	British Commonwealth	This week
External Trade	June 26th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	June 19th
Industrial Profits	April 24th	United States	June 26th
		World Trade	April 24th

UK Production and Consumption

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

		Unit	Monthly averages 1951	1952	1953	1953 Mar.	April	May	1954 Feb.	Mar.	April.	May
INDUSTRIAL PRODUCTION												
Index:												
All industries		1948=100	117	114	121	124	117	123	130	130	124	131-132[2]
Mining and quarrying		"	108	109	109	115	111	109	118	117	106	...
Building and contracting		"	101	103	109	109	107	109	...	...	...	...
Gas, electricity and water		"	124	127	132	142	131	119	165	152	137	...
Manufacturing, total		"	121	115	123	126	119	127	132	134	127	...
Engineering, shipbuilding, electrical goods		"	127	127	129	134	123	133	138	139	...	...
Vehicles		"	124	124	138	140	132	146	153	163	...	...
Chemical trades		"	134	132	151	157	147	151	...	...	...	...
Textiles and clothing		"	116	99	114	122	113	118	124	125	...	...
Food, drink and tobacco		"	105	108	114	112	113	128	109	114	...	...
BASIC MATERIALS												
Production of:												
Coal [1]	W	'000 tons	4,275	4,332	4,300	4,522	4,365	4,332	4,609	4,612	4,192	4,594
Pig-iron	W	"	186	202	215	216	213	215	222	231	232	231
Steel, ingots and castings	W	"	301	310	339	351	349	351	357	365	368	374
Sulphuric acid	M	"	133·8	125·5	156·3	162·5	159·0	153·4	166·1	186·3	176·8	...
Newsprint	W	"	10·13	10·32	11·60	12·21	11·60	13·11	12·53	12·16	11·83	...
Electricity [2]	M	mn. kwh	4,964	5,166	5,459	5,992	5,269	4,856	6,609	6,650	5,634	5,592
MANUFACTURING												
Textile production:												
Cotton yarn, single	W	mn. lb	20·71	14·82	17·97	18·24	17·48	18·45	20·05	20·54	18·66	20·78
Worsted yarn	M	"	16·61	14·84	18·40	19·09	17·82	17·14	18·19	20·85	17·87	...
Rayon and synthetic fibres, total	M	"	32·00	23·59	34·94	36·29	32·75	36·62	34·80	40·18	35·97	37·81
" " " staple fibre	M	"	13·93	10·59	16·85	17·21	14·81	17·57	17·18	19·94	17·25	18·75
Cotton cloth, woven	W	mn. yds	42·3	32·5	35·2	35·3	33·8	35·8	39·5	40·4	38·2	41·0
Wool fabrics, woven	M	mn. sq yds	34·8	31·5	34·3	36·1	32·2	31·1	33·4	36·3	31·4	...
Engineering production:												
Passenger cars and chassis	W	'000s	9·15	8·62	11·44	9·62	11·05	12·65	14·03	14·71	14·56	16·13
Commercial vehicles and chassis	W	"	4·96	4·66	4·61	4·04	4·19	4·92	5·06	4·87	4·53	5·14
Metal-working machine tools	M	'000 tons	11·09	12·58	12·63	13·13	14·14	13·15	10·94	13·35	10·75	...
Internal combustion engines	M	'000 B.H.P.	353	331	311	317	303	332	326	353	352	...
BUILDING ACTIVITY												
Permanent houses completed: [3]												
Total	M	'000s	16·24	19·99	26·56	28·73	23·26	26·01	19·79	33·71	27·26	31·37
For private owners	M	"	1·88	2·86	5·24	4·51	4·44	4·61	4·73	7·07	7·01	7·70
For local housing authorities	M	"	13·55	16·11	19·91	23·16	17·70	20·15	13·97	24·54	18·19	21·61
Other	M	"	0·81	1·03	1·41	1·05	1·12	1·25	1·09	2·10	2·07	2·06
WHOLESALE SALES [3]												
Textile houses:		Av. value										
Total home sales		1950=100	104	90	95	117	96	91	86	116	99	90
Women's and children's wear		"	100	90	96	126	101	94	92	123	102	92
Men's and boys' wear		"	104	82	91	104	92	92	69	110	99	88
Piece-goods		"	103	68	66	90	62	67	79	87	65	81
RETAIL SALES [3]												
Large retailers:		Weekly										
All merchandise		av. value	109	117	124	120	118	126	115	122	126	...
Clothing and footwear		1950=100	110	110	113	104	105	126	89	105	123	...
Household goods		"	108	102	110	107	103	111	99	114	111	...
Independent retailers:												
Clothing and footwear		"	100	95	94	85	89	109	72	79	99	...
Household goods		"	112	109	120	113	112	125	115	112	117	...
STOCKS												
Basic materials:												
Coal, distributed [1] [4]		'000 tons	...	15,809	17,625	12,296	12,400	13,475	13,464	12,781	12,511	13,368
Steel		"	640	817	1,112	892	966	1,006	984	980	1,029	...
Copper [4]		"	113·4	132·0	60·6	149·2	165·4	182·5	60·1	47·3	...	...
Sulphur		"	99·4	211·8	66·8	180·2	170·5	160·5	87·1	82·3	70·4	...
Newsprint		"	109·9	189·7	110·6	164·6	158·0	157·9	108·4	100·1	95·0	...
Textiles:		Av. value										
Wholesale houses, total [1]		1950=100	129	74	89	87	86	87	118	118	114	112
Large retailers, clothing and footwear [1]		"	106	92	102	112	112	110	114	128	126	...

(1) Great Britain. (2) Provisional estimate. (3) Excluding government stocks from August, 1953. (4) Excluding stocks held by industrial consumers with an annual consumption of less than 1,000 tons.

British Commonwealth

PRODUCTION OF FUEL AND POWER (1)

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Pakistan	Australia	Canada	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1938	973	805	2,362	1,526	74	...	363	2,180	...	...	478
1952	1,617	1,153	3,025	2,302	646	14·7	975	5,149	517	252	1,045
1953	1,536	1,032	2,987	2,362	911	15·8	1,079	5,457	560	285	1,112
1953, December	1,309	1,206	3,163	2,383	1,063	19·0	1,062	5,718	604	277	1,101
1954, January	1,173	1,151	2,903	2,422	1,067	5·4	1,036	5,634	590	266	1,111
„ February	1,454	1,077	...	2,118	1,011	...	1,020	5,153	551	258	...
„ March	1,811	998	...	2,429	822	...	1,181	5,766	...	297	...
„ April	1,516	872	...	...	...	...	...	...	...	...	...

PRIMARY PRODUCTION (2)

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1938	17·7	17·7	4·2	30·0	5·31	100	96	78	25	132·7	394	1,013·4
1952	17·2	25·1	8·0	48·7	5·24	137	275	132	103	81·9	373	983·3
1953	16·0	28·4	7·8	47·9	5·20	171	306	126	107	89·7	339	994·7
1954, January	11·9	26·6	10·0	49·4	5·10	180	267	154	108	83·1	293	1,015·2
„ February	13·3	23·2	6·3	43·4	5·55	152	238	133	108	86·7	311	979·7
„ March	21·0	29·6	4·5	42·1	6·88	179	223	147	116	92·7	369	1,074·2
„ April	22·3	32·5	7·2	42·2	6·29	166	...	...	114	...	...	1,058·9
„ May	...	...	5·3	48·7	...	...	...	...	...	...	...	1,091·0

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. C$		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1938	10·6	11·8	56	71	...	...	4·62	4·76	...	...	7·97	2·71
1952	87·5	55·7	336	363	550	482	22·96	19·98	178·3	167·4	34·83	28·02
1953	42·5	70·9	365	348	...	...	16·01	19·60	112·6	125·8	35·45	26·88
1953, December	58·7	79·3	338	361	395	515	17·50	25·00	131·9	121·1	35·10	28·80
1954, January	60·4	58·0	280	265	399	445	17·70	19·00	112·6	118·4	35·10	21·00
„ February	45·4	58·1	293	280	350	389	...	26·80	94·9	98·6	34·80	27·20
„ March	67·4	86·8	353	321	489	434	...	...	69·0	129·4	43·30	30·70
„ April	52·3	66·2	358	298	...	...	...	...	...	...	...	...

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	72	66	35	72	...	68	71
1952	944	1,864	1,729	120	381	167	121	105	128	101	126	133
1953	...	1,827	1,765	204	293	183	120	108	134	112	130	137
1954, January	...	1,840	1,789	207	231							
„ February	...	1,860	1,811	235	274	187	120	106	139	111	131	138
„ March	...	1,831	1,828	255	295		120	...		112	131	137
„ April	...	1,817	1,827	268	301	...	120	...	...	...	...	137
„ May	...	1,823	...	...	312	...	120	...	...	...	...	139

(1) Petroleum production in Canada in 1938 includes natural gasoline. 1938 figure of electricity production in Australia was for 12 months ended June 30th; figures for New Zealand represent about 87 per cent of total generation. (2) Copper and tin refer to metal production. (3) General trade (including re-exports) except for Canada, which is special trade only. Imports are c.i.f. except for Australia, Canada and S. Africa which are f.o.b.; exports are f.o.b. Trade for India and Pakistan includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia and Pakistan 12 months ended June 30th. (4) Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for Pakistan is based on 12 months ended March, 1949, as 100; for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. Annual figures for Australia are for year ended June 30th.

Financial Statistics

EXCHEQUER RETURNS

For the eleven days ended June 30th there was an "above-line" deficit (after allowing for Sinking Funds) of £21,143,000 compared with a deficit of £21,472,000 in the previous week and a deficit of £11,729,000 in the corresponding period of last year. This raised the cumulative deficit to £148,382,000 (£156,419,000 in 1953-54). Net expenditure "below-line" absorbed £18,198,000, bringing the total cumulative deficit to £230,779,000 (£268,268,000 in 1953-54).

£'000	Estimate, 1954-55	April 1 to June 30, 1953	April 1 to June 30, 1954	Ten Days ended June 30, 1953	Eleven Days ended June 30, 1954
Ord. Revenue					
Income Tax	1800,000	238,886	218,754	21,665	19,926
Sur-tax	132,000	21,100	20,900	1,400	1,500
Death Duties	164,375	45,200	44,800	3,900	5,900
Stamps	55,000	13,400	16,400	1,000	2,500
Profits Tax & EPT	172,000	43,100	29,500	5,600	3,300
Excess Profits Levy	60,000	9 850	14,700	600	1,300
Special Contribution and other Inland Revenue	1,000	330	350	50	...
Total Inland Rev.	2384,375	371,866	345,404	34,215	34,426
Customs	1062,500	259,021	275,390	26,300	31,539
Excise	719,000	176,687	167,140	26,897	13,350
Total Customs and Excise	1781,500	435,708	442,530	53,197	44,889
Motor Duties	77,000	7,346	8,067	...	...
Broadcast Licences	21,000	3,000	3,850	800	1,350
Sundry Loans	24,000	2,015	2,838	...	667
Miscellaneous	245,000	25,406	14,976	9,578	2,461
Total	4532,875	845,341	837,865	97,789	83,793
Ord. Expenditure					
Debt Interest	570,000	144,209	140,647	...	...
Payments to N. Ireland Exchequer	61,000	11,172	11,309	3,826	2,572
Other Cons. Fund	10,000	1,317	811	527	51
Supply Services	3855,399	838,586	826,385	104950	101822
Total	4486,399	995,283	979,152	109303	104446
Sinking Funds	36,000	6,477	6,895	215	490
"Above-line" Surplus or Deficit		156,419	148,382	11,729	21,143
"Below-line" Net Expenditure		111 849	82,397	8,579	18,198
Total Surplus or Deficit		268,268	230,779	20,308	39,341
Net Receipts from:					
Tax Reserve Certificates		57,465	121,399	10,387	24,592
Savings Certificates		8,800	4,600	400	1,100
Defence Bonds		−19,397	− 7,399	− 713	− 160

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
June 30	4,597·8		252·3	6·0	4,855·2
1954					
Mar. 31	4,491·4		327·9	...	4,819·4
April 10	3,150·0	1,387·8	298·2	...	4,836·0
„ 17	3,190·0	1,382·7	308·3	...	4,881·0
„ 24	3,210·0	1,359·3	315·0	...	4,884·3
May 1	3,230·0	1,350·2	287·2	...	4,867·4
„ 8	3,240·0	1,272·2	266·9	...	5,134·2
„ 15	3,260·0	1,627·9	276·8	...	5,164·7
„ 22	3,290·0	1,595·7	305·0	...	5,190·6
„ 29	3,320·0	1,579·8	270·6	...	5,170·4
June 5	3,340·0	1,274·1	278·9	...	4,893·1
„ 12	3,320·0	1,333·8	274·6	...	4,927·3
„ 19	3,300·0	1,372·1	296·1	...	4,968·2
„ 30	4,700·0		268·6	3·3	4,971·8

THE MONEY MARKET

CREDIT was still short in Lombard Street for two days following the credit squeeze at the half-year end. The market was, however, saved from recourse to the Bank at the penal rate by moderate official purchases, made directly from the market on Thursday of last week and indirectly through the banks on Friday. Conditions then turned comfortable, but on Wednesday last repayments of the previous week's seven-day loans from the Bank caused considerable stringency, which was relieved by considerable special aid, given both directly and indirectly.

At last Friday's Treasury bill tender, although the market maintained its bid at £99 11s. 11d. per cent, its allotment rose sharply, from 38 to 60 per cent. This was a result both of an increase of £10 million in the amount on offer, to £270 million (all of which was again allotted), and of a drop of fully £42 million in total applications, to £384.0 million. At yesterday's tender the offer was again at £270 million.

The gold market has had a quiet week. Until Wednesday, the price at the fixing remained unchanged at 248s. 11d. per fine ounce on every day of the week covered by the Bank return.

The Bank return shows an outflow of notes of £14.3 million, reducing the reserve in the banking department to £13.7 million. Government securities fell by £11.5 million, and discounts and advances by £4.5 million, reflecting the repayment of last week's borrowing at the Bank. Bankers' deposits accordingly fell by £33.7 million to £274.0 million.

LONDON MONEY RATES

	%		%
Bank rate (from 3½%, 13/5/54)	3	**Discount rates**	
		Bank bills: 60 days	1⅛
Deposit rates (max)		3 months	1⅛
Banks	1½	4 months	1⅛
Discount houses	1½	6 months	1⅛
Money—Day-to-day	1½-1	Fine trade bills:	
Short periods	1½-1⅛	3 months	2⅛-3
Treas. bills 2 months	1⅛	4 months	2⅛-3⅛
3 months	1⅛	6 months	3 -4

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	July 8	June 30	July 7
Issue Department:			
Notes in circulation	1,556·6	1,647·4	1,661·7
Notes in banking dept.	43·8	27·9	15·7
Govt. debt and securities*	1,596·7	1,671·3	1,671·2
Other securities	0·7	0·7	0·8
Gold coin and bullion	2·9	3·4	3·4
Banking Department:			
Deposits:			
Public accounts	18·2	10·6	18·4
Treasury special account	32·6	8·7	8·7
Bankers	266·6	307·7	274·0
Others	66·7	71·3	66·9
Total	384·1	398·3	368·0
Securities:			
Government	327·4	360·9	349·4
Discounts and advances	16·0	11·7	7·2
Other	12·6	13·7	13·6
Total	356·0	386·3	370·2
Banking department reserve	46·2	30·2	15·9
	%	%	%
"Proportion"	12·0	7·5	4·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,625 million to £1,675 million on June 2, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s.	d.	Allotted at Max. Rate* %
1953						
July 3	250·0	334·1	250·0	46	8·48	75
1954						
April 2	270·0	399·0	270·0	42	4·01	68
„ 9	270·0	392·2	270·0	42	4·05	59
„ 15	230·0	417·2	230·0	41	7·41	44
„ 23	230·0	415·4	230·0	41	7·34	38
„ 30	230·0	437·5	230·0	40	11·36	38½
May 7	240·0	406·6	240·0	40	10·84	42
„ 14	260·0	391·7	260·0	34	1·75	60
„ 21	270·0	400·7	270·0	34	3·24	54
„ 28	270·0	426·8	270·0	34	3·33	49
June 4	270·0	414·3	250·0	32	11·61	58
„ 11	260·0	418·3	250·0	32	3·56	57
„ 18	260·0	400·4	250·0	31	7·57	56
„ 25	260·0	426·0	260·0	32	1·48	38
July 2	270·0	384·0	270·0	32	3·41	60

* On July 2nd tenders for 91 day bills at £99 11s. 11d. secured about 60 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £270 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	July 7	July 1	July 2	July 3	July 5	July 6	July 7
United States $	2·78-2·82	2·81⅛-2·81⅛	2·81⅛-2·81⅛	2·81⅛-2·81⅛	2·81⅛-2·81⅛	2·81⅛-2·81⅛	2·81⅛-2·81⅛
Canadian $	...	2·75⅛-2·75⅛	2·75⅛-2·76	2·75⅛-2·75⅛	2·75⅛-2·75⅛	2·75⅛-2·75⅛	2·75⅛-2·75⅛
French Fr.	972·65-987·35	982½-983	982¼-982½	982¼-982½	982¼-983	983-983¼	983¼-983⅝
Swiss Fr.	12·15⅝-12·33⅝	12·21⅛-12·21⅛	12·21⅛-12·21⅛	12·21⅛-12·21⅛	12·21⅛-12·21⅛	12·21⅛-12·21⅛	12·21⅛-12·21⅛
Belgian Fr.	138·95-141·05	140·25-140·30	140·25-140·30	140·25-140·30	140·30-140·35	140·40-140·45	140·42½-140·47½
Dutch Gld.	10·56-10·72	10·62½-10·62½	10·62½-10·62½	10·62½-10·62½	10·62-10·62½	10·62-10·62½	10·62½-10·62½
W. Ger. D-Mk.	11·67⅛-11·84⅛	11·74-11·74½	11·74-11·74½	11·73½-11·74½	11·73½-11·73½	11·73½-11·73½	11·73½-11·73½
Portuguese Esc.	79·90 81·10	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05
Swedish Kr.	14·37½-14·59½	14·50½-14·50½	14·50½-14·50½	14·50½-14·51	14·51-14·51½	14·51½-14·52½	14·52½-14·53
Danish Kr.	19·19½-19·48½	19·43½-19·44	19·43½-19·44	19·44-1·44	19·43½-19·43½	19·42½-19·43½	19·42½-19·43½
Norwegian Kr.	19·85-20·15	20·01-20·01½	20·01-20·01½	20·01-20·01½	20·01-20·01½	20·01-20·01½	20·01-20·01½
One Month Forward Rates							
United States $		¼c. pm-par	¼c. pm-par	¼c. pm-par	¼c. pm-par	¼c. pm-par	¼c. pm-par
Canadian $		⅛-¼c. dis	⅛-¼c. dis	⅛-¼c. dis	⅛-¼c. dis	⅛-¼c. dis	⅛-¼c. dis
French Fr.		3-5 dis	2-4 dis	2-4 dis	2-4 dis	2-4 dis	2-4 dis
Swiss Fr.		1¼-1½c. pm	1¼-1½c. pm	1¼-1½c. pm	1¼-1½c. pm	1¼-1½c. pm	1¼-1½c. pm
Belgian Fr.		Par-½ dis	Par-½ dis	Par-½ dis	Par-½ dis	Par-½ dis	Par-½ dis
Dutch Gld.		1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm
W. Ger. D-Mk.		1pf. pm-par	1pf. pm-par	1pf. pm-par	1pf. pm-par	½pf. pm-½pf.dis	½pf. pm-½pf.dis
Swedish Kr.		1½-1⅝ pm	1½-1⅝ pm	1½-1⅝ pm	1½-1⅝ pm	1½-1⅝ pm	1½-1⅝ pm
Danish Kr.		1-3⅛ dis	2-4⅛ dis	2-4⅛ dis	2-4⅛ dis	2-4⅛ dis	2-4⅛ dis
Norwegian Kr.		1⅝ pm-1⅝ dis	1⅝ pm-1⅝ dis	1⅝ pm-1⅝ dis	1⅝ pm-1⅝ dis	1⅝ pm-1⅝ dis	1⅝ pm-1⅝ dis
Gold Price at Fixing							
Price (s. d. per fine oz.)	248/11	248/11	248/11	...	248/11	248/11	248/11½

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ABRIDGED PARTICULARS

FIRTH CLEVELAND LIMITED

(Incorporated under the Companies Act, 1948)

INDUSTRIAL HOLDING AND INVESTMENT COMPANY

SHARE CAPITAL

Authorised				Issued or to be issued		
£1,000,000	0	0	divided into 1,000,000 6 per cent. Cumulative Redeemable Preference Shares of £1 each	£1,000,000	0	0
622,916	15	0	divided into 2,491,667 "A" Ordinary Shares of 5s. each	622,916	15	0
7,083	5	0	divided into 28,333 "B" Ordinary Shares of 5s. each	7,083	5	0
370,000	0	0	divided into 1,480,000 unclassified Ordinary Shares of 5s. each			
£2,000,000	0	0				

LOAN CAPITAL

£650,000	5½ per cent. Redeemable Debenture Stock, 1968/78.	£1,630,000	0 0

ELECTRIC AND GENERAL INDUSTRIAL TRUSTS LIMITED

OFFER FOR SALE

1,000,000 6 per cent. Cumulative Redeemable Preference Shares of £1 each at 21/6 per Share

PAYABLE IN FULL ON APPLICATION

LISTS WILL OPEN AND CLOSE ON THURSDAY, 15th JULY, 1954.

THE OFFER FOR SALE WILL SHOW INTER ALIA:

HISTORY AND BUSINESS. Firth Cleveland Ltd. was incorporated in 1953 and carries on business as an Industrial Holding and Investment Company, covering two main fields, namely, Engineering and Allied Manufacturing businesses, and the Retail distributive trade.

ASSETS. The net assets of the Group (including proceeds of the issue of 250,000 new Preference Shares) amount to £1,718,349.

PROFITS. The combined profits for 1953 amounted to £750,588, of which the Engineering Group contributed £458,165 and the Retail Distributors £292,423. This profit, after making all necessary deductions including Profits Tax and the service of the Debenture, covers the Preference Dividend and Profits Tax thereon nearly ten times.

DIVIDEND. The dividend yield on the Preference Shares at the offered price of 21s. 6d. per share is £5 11s. 8d. per cent. less tax.

FUTURE PROSPECTS. The Group's investments cover a wide range of production and distribution and the Company is therefore well based to withstand a setback in trading in any one field. The Directors expect that subject to any unforeseen circumstances profits can be maintained at a figure in excess of the average for the last five years, namely, £615,363.

Full copies of the Offer for Sale on the terms of which alone application will be considered and forms of application are available from:—

BANKERS:

NATIONAL PROVINCIAL BANK LIMITED (New Issue Department), 15, Bishopsgate, London, E.C.2, or Branches.

BROKERS:

ROWE, SWANN & CO., 22-24, Old Broad Street, London, E.C.2, and The Stock Exchange, London;

and

ELECTRIC AND GENERAL INDUSTRIAL TRUSTS LIMITED

8, Cleveland Row, St. James's, London, S.W.1.

COMPANY MEETINGS

ENGLISH SEWING COTTON CO., LTD

SATISFACTORY YEAR'S OPERATIONS

CONFIDENCE IN PRESENT STRENGTH AND FUTURE PROSPECTS

ACTIVE POLICY OF EXPANSION AND PLANT MODERNISATION

MR LESLIE SHAW ON OUTCOME OF BOARD'S POLICY

The fifty-seventh annual general meeting of the English Sewing Cotton Company Limited will be held on July 29th at the offices of the Company, Arkwright House, Manchester 3.

The following is the statement by the chairman, Mr Leslie Shaw, which has been circulated with the report and accounts: I have to tell you of a further loss suffered by the board. Mr C. J. Kershaw, appointed to the board in 1951, died in July of last year at the early age of 43. Mr Kershaw entered the service of the Company in 1928 and progressed through the various stages of management until he was appointed director with responsibility for development. He was a young man of great promise and his passing at this early age has been keenly felt by his colleagues and friends. He left a widow and four sons.

Revenue for the year of the Group, excluding The American Thread Company, amounted to £1,163,000. Dividends from The American Thread Company amounted to £110,152, making a total of £1,273,152. Tax provisions are £620,248, leaving net revenue after tax of £652,904.

This represents a very satisfactory result for the year's work and the elimination of dangerous inflation in the value of stocks means that the Company's affairs are appreciably stronger than they have been in the past few years.

The accounts as presented are designed to show the state of the Company's affairs as clearly as possible and there is no point in reiterating figures. I feel, however, that I might supplement them by comment where this will serve a useful purpose. Before doing so, I would like to refer to the circular letter sent to all stockholders in December last and to the actions which have followed from that letter.

BOARD'S CIRCULAR LETTER

The letter explained the Company's position as your directors saw it in December and I am quoting it in full as part of my statement so that you can conveniently refresh your memory.

"The directors of your Company have been perturbed about the recent severe fluctuations in the price of the Company's ordinary stock and by persistent rumours of a possible offer for the stock from some unspecified source. This rumour has been coupled with suggestions for the disposal of the Company's investment in the USA.

"The mere fact of the fluctuations and of the rumours has made it necessary for your directors to consider what their duty is at this time.

"They have been made aware of three effects which are harmful to the Company.

"1. A feeling of alarm and uncertainty has spread through the Company's staff, particularly in management, administrative and technical grades. The close knit and happy relationship of all grades of the Company's employees is the result of years of careful work. Your board regard this feeling of mutual trust and regard as one of the most valuable of the Company's assets. The Company has a fine body of workers in all grades and any loss of confidence would be a severe blow to its well-being.

"2. The Company has valuable business connections in many parts of the world and is at present engaged in creating further ties. The possibility of a change in the direction of policy and the rumours of a possible disposal of the Company's American interests can be very damaging.

"3. Relations with The American Thread Company directors and executives have been built up on the basis of mutual trust and esteem and the affairs of the two companies are so closely knit as to make the mere suggestion of a possible split very harmful to the interests of both companies and, therefore, to the stockholders.

"Your board has no evidence of any major change in ownership of shares and the indications are that the fluctuation in price is caused by the fact that the bulk of the stock is held by stockholders who regard it as a secure, long-term investment.

"Your board has no knowledge whatsoever of any prospective bid or of any attempt to secure control of the Company.

"Apart from their concern about the effects mentioned above, your directors are alive to their responsibility to stockholders. Many stockholders who follow the Company's affairs closely are aware of the position of strength which has followed the boards conservative dividend policy. The Company has, however, many thousands of small stockholders who have held their stock for years and who may not be fully aware of all the implications of policy in recent years.

"After careful consideration and after obtaining the best advice they could, your directors feel that it behoves them to write to all stockholders giving their interpretation of the state of the Company's affairs as revealed in its published accounts and as conditioned by events since the 1952 accounts were prepared.

"During the past few years, trading has been conducted under inflationary conditions with substantial price rises and consequent stock inflation. This has led to large 'paper' profits and your board has thought it in the best interest of the stockholders to pursue a conservative policy of dividend distribution. This policy has been fully explained in the various 'Chairman's Statements' and supplementary notes issued with the annual accounts.

DIRECTORS' POLICY

"The board's policy in recent years may be summed up as follows:—

"1. In view of the large number of small stockholders looking to the Company for a steady income, the board has been anxious not to recommend any increase in dividend unless there was a prospect of continuity. Over the recent years, the dividend has been increased from 5 per cent per annum in 1945 to 12½ per cent in 1950-51-52.

"2. The board has been concerned to conserve the Company's cash so long as it was faced with the need for large sums of money to finance stocks at enhanced prices; to rehabilitate and re-equip the mills and to re-locate manufacturing plant where the trend in export markets indicated that this was necessary to protect the Company's business.

"3. The rapid rise in prices, in the post-war years led to inflated profits and was bound to be followed by a severe fall. It was, therefore, extremely important that the resources of the Company should be conserved against that contingency.

"The result of this policy has been to retain in the Company and The American Thread Company a substantial proportion of the profits accruing in the period since the end of the war.

"Apart from reconstruction and the financing of stocks at higher prices large sums have been spent on expansion of the two companies' productive resources. In the case of The American Thread Company, despite the fact that the retained profits since 1946 have been of the order of £2,500,000, this company, at January 3, 1953, owed to its bankers on short- and medium-term notes, a sum equivalent to about £5 million.

"It is at present operating at a low level of profit and the prospects are that very modest dividends will be received from the investment for the next few years. As reported with the 1952 accounts, the period of expansion must of necessity be followed by a period of consolidation.

"The parent Company during 1953 has recovered from the effect of the recession in 1952 and, so far as can be ascertained at present, will produce very satisfactory results for 1953. It is not possible to forecast what might happen beyond that period.

"The aggregate trading results of the parent Company and American Thread Company in 1952 resulted in a loss. Your directors maintained the distribution on ordinary stock at 12½ per cent and this was an indication of their confidence in the Company's present strength and future prospects.

"Furthermore, they transferred £250,000 from stock reserve to general reserve as an indication that their anxiety about high prices had diminished. The point was made clear in the chairman's statement circulated with the accounts.

"In 1953 we have succeeded in reducing stock substantially with a consequent strengthening of the cash position. Large

sums of money will still be required to complete mill modernisation, but, in the absence of a major recession, it is clear that your board will find itself able to pursue a more liberal policy of dividend distribution than hitherto.

"It will be several months before the board is able to determine with any accuracy the results of 1953 trading, but existing reserves are sufficient to support an appreciably higher dividend. The policy of preserving the Company's assets and maintaining a steady dividend will be followed as far as is consistent with ensuring that the market value of the stock bears some relation to the worth of the Company's undertakings. The board anticipates that the total dividend distributable in respect of 1953, will be of the order of 20 per cent on existing ordinary stock, and it is intended to declare a second interim dividend of 5 per cent payable in March, 1954.

"BREAK-UP" VALUE

"One further point remains. A number of statements have been issued from outside sources purporting to show that the value of the Company's ordinary stock on a 'break-up' basis is anywhere between £6 and £10 per £1 of stock. These calculations are of little value, because it is not possible to say what the value of the Company's undertakings would be if its entity was destroyed. The value of assets is, in the final analysis, determined by what they will earn in the future.

"Your board admits, however, that because of the devaluation of sterling and because of the policy of conservation of assets pursued in recent years, the true worth of the Company is not shown in the parent Company's balance sheet. It is broadly true to say that this applies, and after a period of inflation is bound to apply, to any soundly managed concern.

"In view of present circumstances, however, your board has decided to seek the permission of the Capital Issues Committee to issue bonus shares on a £1 for £1 basis, thus increasing the ordinary stock to £4 million.

"In conclusion your directors wish to state that they have been reluctant to issue a statement of this length, but they feel that they would be failing in their duty to stockholders if, at a time when stockholders may wish for guidance they did not comment on the decision to indicate the size of the probable dividend for 1953 and their intention to declare a bonus issue."

CORRECT APPRECIATION OF THE POSITION

There is nothing I wish to add to or subtract from the statement, but the background of your directors' thoughts might be of interest. Your board was fully aware of the position of strength which had been created by retaining in the business a large proportion of earnings. So long as prices were inflated and there was a risk of substantial loss, any prudent board was bound to feel constrained to follow a policy of conserving resources. The expected adjustment came in 1952 and was less severe in its impact than it might have been. Although the results for the year did not justify such a course, having in mind its declared policy of steady dividends and having regard to the Company's strong reserves, the board maintained its dividend distribution at 12½ per cent.

Whilst there is always the risk of further depreciation, particularly as circumstances might arise in which the "£" would increase in value and so bring about a further fall in the sterling prices of commodities, it is felt that the risks are nothing like so great as when commodity prices were at the inflated levels of the past few years. Your board had, therefore, to consider how it should deal with the changing circumstances in order to ensure that the stockholders appreciated to the full the implications of the balance sheet and accounts.

The first thing your board did was to bring up to date the balance sheets of subsidiary companies where substantial amounts had been retained for a number of years in order to provide finance for expansion and modernisation. Early in 1953 it was decided to apply to the Capital Issues Committee for permission to capitalise reserves and increase the issued capital of certain of these subsidiary companies. This was the first of many moves in a careful appraisal of the Company's assets, being a necessary preliminary to future action. It was also clear to your directors, from the trend of sales, that 1953 was likely to show a substantial recovery in earnings.

Your directors were, therefore, concerned and embarrassed by the activity in shares which arose from the unfounded rumours mentioned in the circular letter. As explained in that letter, they took the view that it was their duty to the stockholders to warn them that the market value of the shares might not fully reflect the value of the Company's business.

The proposals mentioned in the letter have been put into effect. Permission of the Capital Issues Committee to issue bonus shares having been granted, they have now been issued. This does not show in the present accounts as they concern the position as at December 31, 1953. The changes will be reflected in the accounts for 1954.

Since December, nothing has happened which gives your directors any reason to feel that their appreciation of the position at that time was not correct.

Because of the heavy borrowings on short terms, I warned stockholders that the Company was likely to receive modest dividends from The American Thread Company until its liquid position was stronger. Your board, and the board of The American Thread Company, have been examining this matter for a considerable time and I am pleased to be able to tell you that a portion of the short-term debt has been replaced by a loan of $7,500,000. It is impossible to forecast the future trend of dividends from America as this will depend on the state of trade, but your directors are glad that it has been possible to substitute for this amount of short-term borrowings a loan due serially over a period of fifteen years.

PARENT COMPANY'S RESULTS AND PROSPECTS

I now turn to the parent Company's results for 1953. I reported in my statement attached to the 1952 accounts that during the 1952 recession we had pursued a policy of "making to stock" in order to keep our mills employed and in the view that the recession in trade was of a temporary nature. Our expectations were realised and during 1953 we liquidated large stocks of thread and yarn. Sales were substantially in excess of production and consequently they represent a figure not likely to be repeated.

The satisfactory nature of the year's result does not blind us to certain underlying trends which were mentioned last year and which are disturbing in their import. We are tending to lose business in a number of foreign markets, due mainly to economic nationalism, and we have been compelled to start manufacture in some markets in substitution for production in the United Kingdom. All this represents added difficulty in doing business.

We have not been content to fight a merely defensive action, but have pursued a policy of expansion which is bearing fruit. Although it is unlikely that the parent Company will continue on the present high level of earnings, your directors have felt sufficient confidence in the future to justify the substantial increase in dividend and I see no reason why, given reasonable trading conditions, we should not maintain and possibly improve this rate of distribution.

CAPITAL EXPENDITURE

Considerable work in modernisation and re-equipment was done during the year. Our building schemes are making good progress, while machinery re-equipment continues at a steady pace. A total of £480,745 was spent on group capital account in addition to large sums on repairs and maintenance.

A note on the balance sheet shows that we are committed for an expenditure of £606,333 on outstanding contracts as at December 31, 1953. The total amounts authorised by the board at the present time are considerably in excess of this sum and we are faced with a continuance of heavy expenditure in maintaining our mills at a standard we think necessary. It will be understood that at any given time we may feel reasonably content that our plant and methods are up to date, but that from year to year our conception of what is necessary alters with the improvements in production techniques which are becoming available to us. We are determined that the equipment of the Company shall be of the highest standard, as we believe that this is the only way in which we can continue to give our workers a secure livelihood and preserve and enhance the profitability of the Company's operations.

So far as supplies are concerned we have experienced an easier year in that fluctuations in price have been less marked. The approaching cessation of the activities of the Raw Cotton Commission and our decision to buy supplies in the market, has meant that we have had to carry much larger cotton stocks than hitherto. This is not fully reflected in the accounts, but it means that at certain periods of the year we have a heavy demand for stock accommodation and for money to finance it. Despite this increased outlay of money we are convinced that the freeing of cotton buying will react to the benefit of the Company and of its customers.

ACTIVITIES OF SUBSIDIARY COMPANIES

Our knitting subsidiaries have overcome the difficulties experienced in 1952 and have had a year of full and fruitful activity. The rebuilding of our Brown Street factory at Congleton is proceeding apace and some parts of the new building are now occupied by our workers. We hope to complete the whole scheme towards the end of this year.

Our weaving subsidiary has increased sales appreciably. Margins are very poor and profits are inadequate, but there has been marked progress in the reconditioning of the mill and we are building up an efficient and useful unit which will make its due contribution to group revenue.

You will see from the president's report to the stockholders that The American Thread Company has experienced a better year. Competition in America is intense, but the Company is now reaping benefit from the re-equipment programme which has been carried out in recent years and from which further benefits will accrue.

Continuing in its intention to broaden and expand the Company's activity, the board has in the past year invested in two merchant firms.

Your board's management policy with subsidiary companies is to leave them as distinct and separate entities, operating under their own management and control, having their own business connections and producing their own trading accounts. We believe that by this method we obtain the best results for the individual companies and reap the greatest benefit for the group as a whole. Your board has other projects in mind designed to offset fluctuations of trade and to ensure the maintenance of high revenue.

EXCELLENT LABOUR RELATIONS

Relations with our workers and their unions continue to be excellent and we are receiving full and constructive help in achieving improved efficiency. Our mills, with one exception, are operating under modern work study techniques. The one remaining mill is under study at the present time—the delay being due to our unreadiness, not to worker resistance. I stress this because Lancashire operatives have on occasion been accused of unwillingness to adopt new methods. Those who know of the scars left by the depression of the 1930's will appreciate the courage which the sacrifice of old safeguards and customs entails. I must also pay tribute to the statesmanlike attitude of the unions with whom we have dealings. They are hard bargainers, but they have overcome many prejudices in their consideration of their members' true interests.

A period of intense development in thinking, as well as in techniques, has imposed a heavy burden on management, and I wish to place on record the board's appreciation of the loyalty and industry of the Company's most important assets—managements at all levels and workers in all grades.

We cannot guarantee good trade and progress in the future, but so far as lies in our power we are ensuring a continuance of the good record of the past few years.

TELEPHONE MANUFACTURING CO.

CONTINUED HIGH LEVEL OF SALES

The twenty-fourth annual general meeting of the Telephone Manufacturing Company Limited, was held on July 5th in London, Mr Fred T. Jackson, OBE, CompIEE (chairman and managing director), presiding.

The following is an extract from his circulated statement:

Our sales have continued at a high level, and 20 per cent of the turnover was exported. We are finding that competition is very keen for export business, particularly from Germany. The work we have in hand will keep us busy for the remainder of the current year, but prices are much keener and we are finding new business more difficult to secure.

I think we can attribute a great deal of our success to constant work on development, for, in proportion to its turnover, your company spends much on development and is well known for so doing.

I referred in 1951 to the establishment, in partnership, of a factory in Sydney, Australia. Progress is being made there and we think that eventually it will be very successful.

The Canadian Branch in Toronto continues to be active. I am of the opinion that in time this too will be a successful venture.

I must refer to the heavy burden of taxation which all industry has to bear. Looking ahead, this heavy taxation is bound to have a very severe effect on the country's economy, for if part of the amount paid away in taxes were utilised in industry it would produce revenue, provide employment and everyone would be better off.

The report was adopted and a total dividend of 10 per cent approved.

DICTAPHONE COMPANY LIMITED

A YEAR OF PROGRESS

MR C. KING WOODBRIDGE'S ADDRESS

The forty-second annual general meeting of Dictaphone Company Limited was held on July 1st at the registered office of the company, 17, Stratford Place, London, W.

Mr C. King Woodbridge, chairman of Dictaphone Company Limited and chairman of Dictaphone Corporation, New York, who presided, reported that sales for the first six months of 1954 indicated an additional increase of nearly 30 per cent in total sales for 1954.

Referring to the profit of the company, Mr Woodbridge said in his address: The net profit for the year 1953, after payment of taxes, amounted to 8.84 per cent on sales. Profit for the current year is running at roughly twice that figure.

Largely because of the very substantial tax burden it was possible to re-invest only 12 per cent of our earnings in our business. Elimination of the excess profits tax at January 1st last is a welcome step in the right direction, which will permit us to make more effective use of the earnings of our company.

While all departments have shown substantial increases during the year under review, our export operation is worthy of particular comment. In 1953 we exported no less than 69 per cent of our production and in 1954 our export business to date accounts for an even higher percentage of our sales. We are exporting to all free countries of Europe; to the entire British Empire, including Canada; and to an ever-increasing number of countries in other parts of the world.

We attribute the success of our world-wide business to the fact that, in sixty-six years' experience as specialists in the manufacture of dictating machines, we have never compromised with quality. Our British-made Time-Master model is a fine precision machine, constructed of highest quality components by the most skilled craftsmen available. As a result, we find ourselves to-day in the strongest competitive position we have ever enjoyed.

Despite this increasing measure of success, we are not becoming complacent. Competition is still keen and has increased during the year under review, and while we have much less to fear than our competitors, by reason of our position of leadership and the far greater experience we possess, we are by no means content. Our laboratories, both in Great Britain and the United States, are constantly introducing improvements, not only to the already successful Time-Master model, but also to our exclusive plastic Dictabelt record, which is the heart and soul of our machine.

Within the limits imposed by the restrictive taxes, we have continued our policy of expanding our manufacturing operations by bringing into our plant the manufacture of additional components. We have also continued our policy of improving and expanding facilities for handling our business in the field. Our executive offices, as well as our London sales and service office, have been moved to new and improved quarters in the West End of London.

Referring to the world-wide Dictaphone organisation, the chairman said: Products bearing the Dictaphone trade mark are being actively sold in more than 70 countries. One of the very attractive features of our after sales service of a Dictaphone Time-Master dictating machine is our Travel Service, whereby customers who are away from their offices may borrow a machine for a few days from our branches or representative in whichever city they may be visiting.

In the United States alone we have more than 20,000 users who take advantage of the Dictaphone Travel Service. Any opportunity of increasing our overseas business never passes us by, and through our overseas establishments we are able to extend full service facilities to "Time-Master" users who may be travelling in those countries where we are established.

You will, I know, expect me to refer to our parent company, the Dictaphone Corporation, which has now completed 66 years of successful trading in the USA and Canada, and it was my pleasure, when addressing the stockholders at the annual general meeting held in New York in May, to report an increase in turnover with a corresponding increase in the net profit.

Having referred to these successes, may I tell you how, in my opinion, all this is possible? Apart from the fact that we are making and marketing a good article, our success is made possible by the enthusiastic co-operation of the company's employees, who are all the time improving the quality of our production and increasing the value of the service we are able to give our customers. These factors have materially contributed to the results which I am pleased to report.

During my visits to this country I have been particularly impressed with the progressive attitude of industry and business generally, and I may perhaps be forgiven, and I am sure I shall not be misunderstood, if I suggest that this company, by the introduction of the Dictaphone "Time-Master" dictating and transcribing machine, has made a very substantial contribution to the efficiency of the many companies we are privileged to serve. These include some of the leading industrialists, banks and insurance companies. A very large number of machines bearing the Dictaphone trade mark have also been supplied to various departments of her Majesty's Government.

During the year 1953 Mr Gordon Paterson, who has occupied the position of managing director of the company since 1947, asked to be relieved of his responsibilities in order that he might, for personal reasons, return to his home in America. In his place the board has appointed Mr Robert W. Belcher, a former member of the staff of the corporation's United States headquarters.

In my opinion, the spectacular success of Dictaphone Company Limited, is another fine example of the fact that the combination of British and American people, working together under the right conditions and direction, is an unbeatable team. We have full confidence in our staff, and are sure that this business will continue to grow and progress.

I would like to express the appreciation of the board to the chief operating officials, the heads of departments on the manufacturing side, our salesmen on the road and all those who in any way contribute to the success of our company. The board is conscious that with the continuation of the co-operation and interest, which is everywhere in evidence throughout the company's activities, we need feel no concern for the future.

The report and accounts were adopted unanimously and the retiring directors, Mr C. Harold Vernon and Mr F. Graham Maw, were re-elected.

THE MERCANTILE AND GENERAL REINSURANCE COMPANY

FURTHER EXPANSION OF BUSINESS

LIFE DEPARTMENT ACTIVITIES EXTENDED

MR H. K. GOSCHEN ON CONTINUED AND RAPID GROWTH

The annual general meeting of The Mercantile and General Reinsurance Company, Limited, will be held on July 27th, at the company's chief office at Moorfields House, Tenter Street, Moorgate, London, E.C.

The following is the statement by the chairman, Mr Hugh Kenneth Goschen, which has been circulated with the report and accounts for the year ended December 31, 1953 :

Before proceeding to the report of our activities for the year, I would like to refer to the appointment of Mr D. A. Stirling to the board. Mr Stirling brings with him a valuable store of knowledge and experience of banking and finance, which cannot fail to be of great use to the company, and we count ourselves most fortunate in having been able to secure his services.

I am glad once again to pay a tribute to our officials and staff. Mr Calburn, our general manager, and his team of officials, have been tireless in their efforts to build up the company on sound foundations, and every member of the staff has co-operated loyally with them in this endeavour. The maintenance and development of our international business depend upon a high standard of personal service to the company's ceding friends. This spirit of service is shared throughout our organisation of keen and energetic men and women.

The accounts now presented show a further increase of capital. On November 17, 1953, a resolution was passed at an extraordinary general meeting, increasing the paid-up share capital once more by £50,000 by the issue of 43,000 further "A" shares of £1 each fully paid, and by the payment of a further 8d. on the 210,000 partly paid shares, which are now paid up to 4s. per £1 share.

You will be pleased to see that there has also been a further expansion of business. The net premium figure at £7,533,355 was once more a record, and means an increase of over 15 per cent against that for 1952. I must, however, sound a note of warning. During the postwar period we have been accustomed to look for a certain natural growth of our business from year to year, distinct from that due to the development of our connections. Of recent years I have referred to a lessening of this automatic trend and signs are not now lacking that, with the return of more stable monetary values, we may have to reckon with a greater stability, or even a certain natural contraction of premium income, the more so in view of the general and continuing increase in the sums retained for own account by the original ceding companies. We should not, therefore, expect that we shall again in 1954 be able to report an expansion of business at the rate which our shareholders must have come now to regard almost as a matter of course after seven years of continuous and rapid growth.

FIRE ACCOUNT

Against this background the development of the fire account must be regarded as satisfactory. But to look for any substantial growth in the immediate future would be over-optimistic and, in fact, the maintenance of the fire account at its present level, over three times that of 1946, the first full post-war year, will call for the full deployment of all our resources of initiative, service and enterprise. At the same time no opportunity is lost of exploring the possibilities of new forms and fields for our endeavours, and it is satisfactory to record that our efforts are meeting with some measure of success. The business of the fire department yielded a satisfactory profit.

ACCIDENT DEPARTMENT

The results of the accident department unfortunately show a loss under the general section This was mainly attributable to adverse results in the motor, public liability and fidelity guarantee sections. Burglary and miscellaneous business have again shown reduced profits, the latter mainly due to the heavy flood claims which the company was called upon to pay as the result of the disasters at the end of January. Aviation results improved during the year, and personal accident business showed a profit. We were not heavily involved in any major air catastrophes during 1953.

It has been noticeable that rates are being reduced for personal accident, burglary and ordinary third-party business. These classes now show a much smaller profit margin than in the past, and should the claims experience harden to any appreciable extent in the future, it is doubtful whether these classes of business can remain on a profitable basis.

MARINE ACCOUNT

The marine account shows a levelling-off of the rather rapid premium expansion in recent years. The less favourable outlook to which I referred last year still prevails, and is revealed in the harder loss experience which the account shows. This, I believe, reflects the general tendency in most marine markets where keen competition has had the effect of depressing rates. We are continuing our policy of building up the marine fund.

LIFE DEPARTMENT

The life department continued to be extremely active, and the net new business completed was once again a record at £12,599,651, against £10,440,556 in 1952. It is also worth while noting that the net premium income exceeded £1 million for the first time. During the past year, there has been an increase in requests for automatic cover, both from home and overseas territories. There are, of course, sound reasons for this. Automatic facilities help in two important ways: the direct offices are enabled immediately to accept sums considerably in excess of their own retentions and can eliminate the delays due to facultative reassurance ; moreover, a notable saving in costs is achieved by transferring much of the routine work to an organisation specially equipped, as we are, to handle it.

In 1953 we extended our activities in life within the United Kingdom by the introduction of the substandard pool for cases of raised blood pressure, and this has aroused much interest. The facilities we offer for substandard business in general are being used to an increasing extent. That we can do this on sound lines again demonstrates, I feel, the value of the professional reinsurer. The covering of a number of cases of a similar nature received from many different companies should enable the reinsurer to establish fair rating principles for these contentious classes of risk.

It will be observed that the claims by death increased considerably, but an increase in the claims must be expected as the portfolio expands. Our overall mortality experience continues to be satisfactory.

INVESTMENTS AND LOANS

You will see that the total investments and loans of the company show a further considerable increase, being approximately £2,157,000 more than the sum invested at December 31, 1952. We have continued to move cautiously from the position of a few years ago, when the bulk of our funds was in short-dated Government bonds, towards the holding of a larger proportion in medium-dated bonds and first-class industrial debenture and ordinary stocks, and we have in this way been able to participate in the general improvement which has taken place in the prices of Stock Exchange securities. There was, I am pleased to say, a satisfactory increase in the margin between the total market value of the company's securities and the value at which they appear in the balance sheet. As time goes on, however, we shall inevitably see a reversal of this trend. To cover a small percentage fall requires quite a considerable sum of money and, although at the moment we have a satisfactory margin, it is one which can very quickly disappear in a falling market. We have, therefore, thought it only prudent again to make transfers to the provisions for investment and exchange fluctuations.

CANADIAN SUBSIDIARY

Our Canadian subsidiary—The Mercantile and General Reinsurance Company of Canada Limited—has had a good year. You will see that a profit of $82,997 has been earned on the year's working, which we must consider very satisfactory, bearing in mind the heavy cost of financing new business and that 1953 was only the second year of the company's operation. As this company has now become firmly established in the Canadian market, it was felt advisable to take steps early this year to enlarge the organisation so as to be able to deal with the increasing business and provide the appropriate service to the ceding companies who place their business with us. General Sir Neil M. Ritchie, GBE, KCB, DSO, MC, has now been appointed to the post of President. We feel that his considerable administrative experience and gifts of leadership, coupled with the roots which he already has in that great country, will be of the utmost value to this promising company. Mr G. M. Huycke, QC, has taken my place as chairman of the board, and Mr D. G. Barnard has been promoted to the post of general manager. The staff is also being increased by the appointment of some technical men who have been trained in our own office. We feel that the organisation thus strengthened is now fully prepared for further expansion. I would like to extend our thanks to the board of this company for their help and to Mr Barnard for his unflagging efforts.

You will remember that in my statement last year I said that we had arranged to lease on a long term the building off Moorgate known as "Moorfields House." During the latter part of the year we moved into this building and our whole staff is now concentrated there. We now have adequate space for our needs and much improved working conditions for the staff. We regard this move an important milestone in the company's development and a valuable contribution to the efficiency of the organisation.

It is perhaps worth while noting that we now have active business relations in no fewer than thirty different countries. It is our policy to keep in close personal touch with all our business friends wherever they may be, and last year our officials travelled over 150,000 miles in order to bring British reinsurance services to these world-wide connections. It is a pleasure to pay a tribute of grateful recognition to our friends for the warm welcome and hospitality extended to the company's representatives.

THE ASSOCIATED PORTLAND CEMENT MANUFACTURERS

CAPITAL EXPENDITURE EXCEEDED £5 MILLION

SIR GEORGE EARLE ON EVER-GROWING DEMAND

The annual general meeting of The Associated Portland Cement Manufacturers Limited was held on July 8th in London, Sir George Earle, CBE (the chairman), presiding.

The following is an extract from his circulated statement :

I would like to draw your attention to our total capital expenditure of over £5 million in the consolidated accounts. This was financed without the issue of fresh capital on our part, and fortunately we still have considerable liquid resources.

Last year the demand for cement was heavily swollen by defence needs and was greater than our production. Sales of our other products were satisfactory, and exports of cement and other goods were well maintained.

As we are responsible for about two-thirds of the cement production in this country, we have a special duty to keep the home market supplied and to do our full share of the export trade. The only way in which this could be done in 1953 was by importing cement from the Continent. It was an unpleasant decision that had to be made, and not a cause of rejoicing as regards profits. The cement we imported was sold at the home trade price and realised over £800,000 less than its cost ; this is the main reason for the reduction in our trading surplus.

DIVIDEND INCREASED—STAFF AND WORKMEN BENEFIT

The Associated Portland Cement Manufacturers Limited holds over 80 per cent of the British Portland Cement Manufacturers Limited, and 100 per cent of the Alpha Cement Limited equity.

For these three companies the trading surplus decreased by £625,000 to £9,094,000. We set aside £2,888,000, which is £463,000 more than the previous year, for depreciation and replacement of plant and machinery, leaving £6,206,000. Provision for taxation decreased by £1,892,000 to £3,348,000. After deducting directors' emoluments, debenture service, expenditure in connection with flood damage, share issue expenses, a subvention payment to a subsidiary company and transfers to general contingencies and dividend equalisation reserves, amounting in all to £1,821,000—an increase of £637,000—there is left for the stockholders £167,000 more than last year.

It is proposed that the major part of this increase be passed to them by way of a higher dividend. Stockholders in general have had a raw deal for many years, and the increases we have been able to make in the amounts distributable to them are still far below the rise in wages and in the cost of living.

I am glad that our staff and workmen will benefit from the increased dividend through their profit-sharing scheme.

Apart from expressing our gratitude for the investment allowance, I do not intend to talk about taxation, for practically every company chairman, including myself, has explained the dire effects of our present taxation on incentive, and also the difficulties in providing for the replacement of fixed assets. It is indeed a serious matter and Mr Butler is no doubt even more aware of the position than any company chairman ; I am sure he will do what can be done to put it right. The reason for taxation is to produce the money the Government spends, and it does seem that something more could and should be done regarding this expenditure.

FUTURE PRODUCTION

We have decided to build two new works in England, at Westbury in Wiltshire and Cauldon in Staffordshire. The grinding and packing plant at Widnes which will take its clinker from the sulphuric acid plant of the United Sulphuric Acid Corporation is finished, but it will be next year before the clinker is available. As mentioned last year, we have also agreed to purchase all the cement which will be produced from the sulphuric acid plant at Whitehaven, and to give the makers, Solway Chemicals Limited, any technical advice they may require on cement. The quality of the cement to be produced at Widnes and Whitehaven should be very satisfactory.

These four new sources of supply will give us rather more than half a million tons of annual production. In addition, our works department and research staff have certain new developments, and we shall be disappointed if these do not give us increased output from our existing works, and also reduce our fuel consumption.

The demand for cement, owing to new and improved uses, normally increases by about 5 per cent per annum. We think, therefore, that our production will be absorbed, taking the long-term view. Boom conditions cannot last for ever, but as it takes approximately three years to build a works nowadays one must, in this question of production, look some way ahead.

After reviewing the group's activities in overseas markets, the statement continues:

Further progress has been made in our production per man-hour. It was 1.5 per cent higher than in 1952, and 25.6 per cent higher than prewar. The comparative figure for our men's earnings is approximately 200 per cent above 1938 for the same number of hours worked.

The question of dust emission from our factories has again received our very closest attention during the year. I hope that the fact that since the war we have spent £789,967 on dust-prevention plant at our works will convince our neighbours that we are treating this matter very seriously.

The report and accounts were adopted and the final dividend of 2s. 6d. on each £1 unit of ordinary stock, making with the interim payment of 1s. a total of 3s. 6d. for the year, was approved.

THE MORGAN CRUCIBLE COMPANY, LIMITED

IMPROVED TREND OF TRADING

The twentieth annual general meeting of The Morgan Crucible Company, Limited will be held on July 28th in London.

The following is an extract from the statement by the chairman, Mr P. Lindsay, OBE, MC, which has been circulated with the report and accounts :

Towards the end of the last calendar year a welcome improvement in the climate of British trade became apparent, despite the opposite trend in USA. Our business has shared in this improvement and in consequence our order book has a healthier colour than at the corresponding period last year. This happy state is not reflected in the year's sales turnover which is appreciably less than in 1952-53, though the fall in foreign is relatively less than in home sales in spite of the well known difficulties with which the British exporter is confronted.

Having regard to the fall in sales turnover, I am glad to say that our net group profit, after tax, is only slightly less than that of the previous year. This could not have been achieved without a continuing improvement in management and production technique in which workers, at all levels, have co-operated.

BALANCE SHEET AND PROFIT STATEMENT

The most significant feature is the considerable growth of liquidity revealed in the amount and nature of current assets in relation to current liabilities. This is due partly to planned reduction in stocks as well as to the cumulative effect of restraint on disposal of resources. Against the increase in net liquid assets I draw attention to a small but significant reduction which has not been experienced for many years in the value of fixed assets. This is due to the near completion of a five year programme which has involved total capital expenditure of over £2,500,000. A cumulative effect of this expenditure is revealed in our profit statement by the charge of over £300,000 against depreciation, or double the amount which was incurred five years ago. Let no one infer that now we will hesitate to embark on further large scale capital investment when occasion arises.

PROSPECTS

Shareholders may assume from my survey that I look to improved results in the current year. That is so, provided of course present trade trends are not reversed. As to that, one may ask why British trade, since the dawn of 1954, has turned out better than most of us foresaw.

There have been doubtless a number of contributory factors ; a more favourable money market climate and expansion of our gold reserves. There has been also a delayed stimulus, resulting from improvement in terms of trade. I am of the opinion, however, that above all, we are experiencing now the real benefit of postwar capital expenditure and improved management, resulting from the courage and enterprise of British industry. The consequent check to rising costs, accompanied by increased production, has slowly but surely contributed to increased consumption and general well-being.

We feel that the growth of resources revealed in the balance sheet, coupled with an improvement in profit outlook, justifies a modest increase in appropriation for dividend. In consequence, the proposal in the directors' report is that the final dividend be increased 1½ per cent to 10½ per cent, making with the interim a total distribution of 14 per cent.

ASSOCIATED BRITISH PICTURE CORPORATION

INCREASED PROFITS

DIVIDEND MAINTAINED

SIR PHILIP WARTER ON BOARD'S PROGRESSIVE POLICY

The twenty-seventh annual general meeting of Associated British Picture Corporation, Limited, will be held on July 28th in London. The following is an extract from the circulated statement of the chairman, Sir Philip Warter:

Trading profits of the group at £2,213,312 show a rise of £145,536 over the corresponding figure for last year. The group net profit before taxation has increased from £1,477,275 to £1,669,857, and after providing £1,104,573 for taxation, the net profit amounts to £565,284, as against £498,077.

As a result of further progress towards the settlement of deferred repairs and the E.P.T. liabilities a further sum of £250,000 has been released from the provisions for taxation. Including the balance brought forward of £266,389, the total amount available is thus £1,058,859.

We are making substantial progress in equipping the theatres with new projection and sound systems which involve, of necessity, the expenditure of a very large sum. Accordingly a sum of £450,000 has been transferred to a development reserve.

After meeting the fixed preferential dividends, £189,750 (£181,125) and providing for a total distribution of 20 per cent on the ordinary stock (20 per cent), requiring £220,000 (£216,250), the balance carried forward to next year amounts to £199,109.

Current assets have risen by no less than £476,529 to £2,775,608, of which £1,240,147 represents cash at bank, on deposit and in hand.

It is noteworthy that this year there is an excess of current assets over current liabilities of £745,006 compared with a deficiency a year ago of £35,237. Your directors have been able, since the date of the accounts, to repay slightly more than £1 million of the secured indebtedness.

Although television continues to be a strong competitor for the public's entertainment I feel quite confident that the films coming forward in CinemaScope and other new media, as a result of the reorganisation which has been going on in the major studios, are of sufficiently good quality to ensure that the industry in this country will hold its own from now on.

The progressive policy adopted by your board in the equipment of the Corporation's cinemas with wide screens, anamorphic lenses and stereophonic sound equipment continues as fast as the component parts become available.

During the past two years I have found it necessary to be cautious in my approach to the future since it was evident that there were considerable changes taking place within the industry, both here and in America, which might result in difficult trading conditions over a long period. There is ample evidence, however, that the public's reaction to good films is as great as it ever was, and with our progressive policy of equipment for films in the new media we can look forward to a steady supply of box-office attractions once the temporary shortage of films has been overcome.

Having regard to all these factors I think we are entitled to take a much more optimistic view of the future than we have done for some time past.

WIGGINS, TEAPE & CO. (1919) LTD.

HOME AND OVERSEAS SALES EXPANSION

TRADE IMPROVEMENT CONTINUES

The 35th annual general meeting of Wiggins, Teape & Company (1919) Limited was held on Thursday, July 8, 1954, in London, Mr L. W. Farrow, CBE, the chairman, presiding.

The following is an extract from the statement by the Chairman, circulated with the report:—

I referred in my statement last year to the more promising outlook for your group for the year 1953. I am glad to inform you that the improvement in the paper trade to which I referred continued throughout the remaining part of the year. As a result of this, we were able to keep all our mills running to full capacity but even with some overtime working we were not able to keep pace with all the demands of our customers, this situation getting more difficult as the year progressed. Our stocks of finished products by the end of the year had become embarrassingly low. The prices of our main raw materials and the sale prices of our finished products remained reasonably stabilised during the year.

The volume of the production of paper at your group's mills in 1953 was very nearly equal to that of the record year of 1951. On the other hand, the volume of sales of paper produced at your mills was a record in the history of the company. This resulted in the reduction of stocks of paper to which I have referred. Trade in the overseas markets showed a considerable expansion over 1952.

PROGRESS OF MERCHANTING BUSINESS

The volume of our merchanting business both at home and overseas showed great improvement during the year as compared with the year 1952. The supplying mills both at home and abroad have been most co-operative in helping us to meet the demands of our customers.

The results of our subsidiary company, Pirie, Appleton and Company Limited, together with its group of companies overseas, which manufactures envelopes and stationery, were not altogether satisfactory but I am glad to say that the results of the second half of 1953 were considerably better than those of the first half.

Stockholders were fully informed in my circular to them dated October 22nd last as to the financial set-up of your group of companies in Australia. Satisfactory progress is being made with the building of the mill.

The trading profit for 1953 of the South African Pulp & Paper Industries Limited, in which your company has a substantial interest, showed a slight recession on that for the year 1952, but the company paid the same dividend, notwithstanding this slight setback. The erection of the new mill on the site at the Tugela River in South Africa is nearing completion and it is expected that production will commence there in the near future. I am glad to be able to report that our relations with the management of South African Pulp & Paper Industries Limited, continue to be most cordial.

DEVELOPMENT OF SPECIALITY AND INDUSTRIAL PAPERS

In my last statement I referred to our output of speciality and industrial papers and the progress made by our technological staff in their development. I am glad to be able to state that the output and quality of these papers again has improved substantially. During the past year we have reorganised a machine at our Dover mill to enable us to meet the exacting requirements of one important industrial paper, and I am glad to report that the product has come up to expectations. Our research staff has continued to foster all forms of recording instruments on our papermaking machines so that more and more of our production is coming under continuous measurement rather than being subjected to "spot" tests. We believe that this more rigid control will definitely assist the printer and the converter in their quest for the faster running of their machines and higher quality products.

THE ACCOUNTS

With regard to the consolidated balance sheet of the Wiggins, Teape Group of companies, it will be seen that, taking into account the amounts set aside for future income tax, the surplus of current assets over current liabilities amounts at the end of 1953 to £8,246,064, compared with £7,413,747 at the end of 1952.

The following shows the amounts for which fixed assets, excluding freehold land and motor vehicles, are insured, compared with the values appearing in the consolidated balance sheet:

Insured Values:—	£
Building	6,605,281
Plant, Machinery, etc.	9,592,570
	£16,197,851

Balance Sheet Values, including Freehold Land and Motor Vehicles:—	£
Total as per Schedule on page 12	9,756,603
Less: Provisions for Obsolescence and Renewals on page 6 ...	2,192,003
	£7,564,600

TRADING RESULTS

Upon turning to the consolidated profit and loss account on pages 4 and 5, it will be seen that the trading profits (subject to the items detailed on page 4) of the group for 1953 amounted to £3,873,485, compared with £2,183,935 (before adding the transfer from paper and raw material stocks reserves of which a full explanation was given in the directors' report last year). Your directors consider that this result is very satisfactory considering that in the first six months of the year the improvement in trade had only just commenced.

After adding investment income and interest received, and deducting the expenses and provisions enumerated, taxation, dividends applicable to outside shareholders and profits retained in subsidiary companies, the profit attributable to Wiggins, Teape & Company (1919) Limited, amounts to £1,347,002, which compares with £302,377 (before adding the net transfer from stock reserves) for 1952.

It will be seen that the sum of £730,000 has been transferred to general reserve. The total revenue reserves now amount to £5,092,348.

In connection with the Thomas Owen acquisition, it was necessary to declare and pay a second interim dividend before the end of April, 1954, in place of the usual final dividend. As you know, the total dividend for 1953 was brought up to 17½ per cent less income tax, 2½ per cent of which was paid as a bonus. This compares with the total dividend on the ordinary stock for the year 1952 of an equivalent of 12.381 per cent less income tax.

CURRENT YEAR'S PROSPECTS

With regard to the current year, I am glad to say that the improvement in trade has continued and our mills are working full time with a certain amount of overtime.

On the merchanting side of our business, the general trend of the paper trade has been experienced and business is good both at home and overseas, except in those markets where there are restrictions on imports.

The profits for the opening months of this year show a considerable increase over those for the same months of last year when trade conditions were not so satisfactory. Providing the present trading conditions continue during the rest of the year we should be in a position to present a very satisfactory balance sheet for 1954.

TRIBUTE TO EMPLOYEES

As you may know, the basic wages of our workpeople are arranged between the Paper-makers Employers' Federation and the various trade unions concerned. In addition to these basic wages, incentive bonuses are paid at our mills based on production and quality. This means that our workpeople are directly interested in two of the principal factors of profitability, namely production and quality.

Our pension and sickness schemes operated for the benefit of our employees help to relieve the worries attendant on old age and sickness. There is no doubt that these schemes are conducive to the well-being, happiness and efficiency of our employees.

Once again it is my pleasant duty to express our sincere thanks to all our employees, both at home and overseas, for their loyal work during the year 1953.

GEORGE WIMPEY AND COMPANY, LIMITED

FURTHER EXPANSION OF TURNOVER

SIR GODFREY W. MITCHELL'S REVIEW OF WIDESPREAD ACTIVITIES

The thirty-fifth annual general meeting of George Wimpey and Company, Limited, was held on July 2nd at the Grosvenor Hotel, London, S.W.

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

For the second year in succession we have been blessed with exceptionally favourable contracting weather, and this has helped materially in enabling your company to accomplish another substantial advance in the volume and variety of work undertaken.

In this country we have carried out an enormous amount of building, civil and mechanical engineering work, and we have extended our regional activities by establishing an organisation in Leeds to cover the area of South Yorkshire, where this development is already proving its worth.

OVERSEAS

Overseas we are working in no less than sixteen countries, and I should like to mention some of our major projects.

The Government of Turkey have awarded jointly to the English Electric Company and ourselves a contract for the construction and equipping of an £11½-million hydro-electric power project at Hirfanli on the Kizilirmak River, about 65 miles from Ankara. We shall undertake the whole of the civil engineering and construction work, and permanent electrical machinery and equipment will be supplied and installed by the English Electric Company.

Our opencast coal activities in Australia are still proceeding, and, as you may have seen announced in the press, we have been awarded a contract to win uranium ore by open-cut mining at Rum Jungle, Northern Territory.

We have reason to be pleased with the progress made in the construction of the oil refinery and harbour at Aden for the Anglo-Iranian Oil Company, since it is anticipated that this vast project, in which we are partners with Middle East Bechtel Corporation, will be completed well ahead of schedule.

In June, 1953, we commenced work on the new impounding reservoir at Wemmershoek, South Africa, for the city of Cape Town, and this important contract is now getting well into its stride.

Our contract for the naval dry dock at Karachi was completed by the due date, and civil engineering work to the extension of the Singapore power station and the construction of the oil jetty is virtually completed. Good progress is being maintained on the building work which remains to complete the entire power station.

On the Gold Coast our contract for pipelines and railway work in connection with the port of Tema project is proceeding well, and the construction of the technical institute at Takoradi is well advanced.

We continue to carry out a considerable amount of building and civil engineering work in Borneo, where we are also engaged on the construction of a second marine oil drilling platform.

Our organisation in Baghdad played a vital part during the emergency created by the disastrous flooding of the Tigris.

Although there is very keen international competition, a good deal of road work has again been undertaken in Iraq, and in Jamaica our housing contract for the Jamaica Bauxite Company has been successfully completed.

One of your directors has recently made an extended tour of Canada and, following his visit, we have opened an office in Toronto,

HOME ACTIVITIES

At home we have made a substantial contribution towards the achievement of the government's housing target by completing and handing over to local authorities no less than 18,628 permanent dwellings during the year. Of this number, 17,334 were built by our Wimpey no-fines concrete technique.

We have continued the successful development of multi-storey flats in no-fines concrete and blocks of flats up to eleven storeys have been commissioned throughout the country.

Just as our no-fines concrete houses have become an important part of the housing drive, so our multi-storey no-fines flats, because of their economy in money and time, will play a large part in the forthcoming slum clearance programme.

We are engaged in the construction of important business premises in Haymarket, London, a new factory at Dunstable for Vauxhall Motors, Limited, offices and a laboratory at Harrogate for Imperial Chemical Industries, Limited, considerable extensions to a factory in South Wales for British Geon, Limited—a subsidiary of the Distillers Company, Limited—and a number of large reinforced concrete hangars for the Air Ministry.

At the Isle of Grain Oil Refinery we continued, most successfully, to carry out a great volume of fabrication and installation of plant and equipment. Steady progress has been maintained on a great variety of building, civil and mechanical engineering at the new Chemical Works at Ellesmere Port.

We have made a good start on a considerable contract for the construction of an oil storage depot in Scotland for the Anglo-Iranian Oil Company, and work has commenced on the construction of a new power station for the B.E.A. at Ferrybridge, which, when completed, will be one of the largest in the country.

Our work on intakes, tunnels and surge shaft at Meig and Luichart for the North of Scotland Hydro-Electric Board is approaching completion, but I am pleased to report that we have secured further important contracts for hydro-electric work at Loch Shin.

During 1953 production of opencast coal declined, but even so we produced 1,844,000 tons of coal.

Because of the dearth of road construction work in this country, our asphalt road department has carried out a reduced volume of work, but has fully maintained its place in the industry.

ACCOUNTS

If you will now please look at the accounts you will see that our profit after taxation amounted to £736,855. The increase in profit and the higher level of certain of the expense items result from a further expansion of our turnover, which last year reached the record figure of £70 million.

It is proposed to pay a dividend of 10 per cent, less income tax, on our ordinary shares, and to issue to ordinary shareholders 50,000 5 per cent redeemable second cumulative preference shares of £1 each as a bonus, on the basis of one redeemable preference share for every 20 ordinary shares held.

So far 1954 promises another good year's work, but, taking the long view, there is no doubt that the industry has entered a period of very keen competition throughout the world. However, with your company's resources and the flexibility of its organisation, I feel that we shall be able to meet whatever the future has in store.

The report and accounts were adopted.

BOVRIL LIMITED

LORD LUKE'S REVIEW

HOPE OF BETTER UNDERSTANDING WITH ARGENTINE

The fifty-seventh annual general meeting of Bovril Limited was held in London on July 9th.

The Rt Hon Lord Duke, the Chairman, in his address to the shareholders, said the Company had achieved satisfactory results, in spite of unprecedented rises in the price of meat extract and a marked increase in the availability of foodstuffs in the shops.

RAW MATERIAL COSTS

A commodity like meat extract, with a limited world production and potential markets which caused violent price fluctuations, made regular users like themselves vulnerable. That was why their factory in South America was of such importance in safeguarding their supplies, but they had been able to ship only a small amount of product since the sterling permit had covered a limited tonnage. Bovril's raw materials were at present rated low in priority, but since they had been promised decontrol of meat products they hoped that would apply no less to meat extract.

PROGRESS IN NEW PRODUCTS

Sales of Bovril had naturally been affected by the higher prices, but had been maintained at a satisfactory level.

It was significant to note that the price of Bovril had increased only approximately 86 per cent since 1900, whereas many commodities had increased at least 200 per cent.

Other Bovril products had played an increasingly important role in their economy. Bovril Brand Weaning Food continued to make steady progress. The number of chemists selling this excellent product increased daily, and more mothers were using it as part of their infants' diet. Progress in the company's products made in Ireland and Canada had been maintained. They had purchased part of the business of Apollinaris relating to Four Seasons Fruit Squashes and Gold Cup Jaffajuce Orange. The latter had an exceptionally high fruit juice content, and initial sales were most encouraging.

DEVELOPMENT IN PRODUCTION AND RESEARCH

Several factors connected with their products were receiving close attention. They were searching for methods of reducing the cost of manufacture, packaging and distribution. Research was being done to see whether Bovril's nutritional properties might be still further increased, either by improving on traditional forms of production or by reinforcing existing constituents. Research would be done into all their products and into food and nutrition generally. They had invited a panel of eminent scientists to advise their research department about policy.

VISIT OF ARGENTINE STATESMEN

Conditions in the Argentine had not varied greatly though their own operations had prospered. It was to be hoped that with the end of meat rationing the public would renew their taste for the high quality Corned Beef they knew before the war.

It had been an event of great importance to welcome to this country two Argentine statesmen — Dr Remorino, Minister of Foreign Affairs, and Dr Morales, Minister of Economic Affairs. This visit was long overdue, but so was the visit of a British Minister to the Argentine when the Marquess of Reading travelled there in 1952. The new pattern of decontrolled trade in this country had been fully impressed upon the Argentines, but it was probably easier for Britain to lift controls than it was for Argentina. As a controlled economy had been established there because of this country having imposed the same for war purposes, Argentine might return to normal trading conditions when Britain did.

The trade pattern between the two countries had changed because Argentina had less meat to export and we had developed new sources of supply. Furthermore, the Argentine had found her other exports commanded less of a premium in world markets and her import requirements had not decreased. Industrialisation had made an impact, but he doubted whether the Argentine would ever ignore her traditional exports and throw over long-standing and friendly customers. He hoped this visit of Argentine statesmen would be the forerunner of many such visits so that their two countries might know each other better and renew the friendly relations of prewar years.

BOVRIL'S AUSTRALIAN ESTATES

In Australia they had struggled with a difficult problem for many years with little encouragement from successive Australian governments. The development of Australia's Northern spaces was of considerable importance to the British Commonwealth. It would therefore be advantageous for joint consultations to take place between governments and industrialists to establish the best method of communications which were a pre-requisite to any progress being made. Such a method might bring together the existing opposing views which at present ruled each other out and stultified any advance. The main arguments were between railway construction and development of the carriage of animals by air, either on the hoof or as meat. If an established policy could be agreed, then joint financing should not be too difficult.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The Chairman said that in the Consolidated Profit and Loss Account the Group Net Profit for the year was £308,000, of which £72,000 belonging to the Parent Company was retained by Subsidiaries and £184,000 was dealt with in the Parent Company's Appropriation Account. After payment of the fixed dividends the Directors recommended a final dividend of 10 per cent on Deferred Stock, making 12½ per cent for the year, and were recommending the transfer of £24,165 to Reserve for Contingencies, leaving the carry forward slightly increased at £215,088.

LONG SERVICE AWARDS

The Chairman ended by saying that without the loyalty and hard work of all the staff they would make no progress. They all regretted the necessity to have closed their Bedfordshire factory where the staff had served them loyally and happily for many years. In the year under review 12 members of their staff had qualified for the Long Service Staff Award after 30 years' continuous service.

LAPORTE INDUSTRIES, LIMITED

CONTINUED HIGH LEVEL OF DEMAND

The forty-seventh annual general meeting of Laporte Industries, Limited, was held on July 8th in London, Mr L. P. O'Brien (chairman and managing director) presiding.

The following is an extract from his circulated statement:

It may be remembered that last year I had to report a temporary setback to the progress of the company after many years of continual expansion in production, turnover and trading results. Looking back it can be seen that the previous highest recorded results of 1951-52 gained some profit content from buyers adding to stocks amounts of raw materials in excess of current needs.

During the financial year now under review the volume of business transacted attained new high levels for almost every product manufactured by each of the operating companies throughout the group. This high level of demand was continued during the first two months of this current financial year and the stock position of buyers seems to be maintained at reasonable levels as compared with what were in many cases abnormal stocks held two years ago.

GROUP INCOME EXCEEDS £1 MILLION

This is the first occasion when one has had the opportunity of announcing income for the year (before taxation) exceeding the round one million, at £1,037,839, and after meeting debenture interest amounting to £129,455 (gross) as against £14,503 in the previous year, and depreciation £309,456 against £158,369. Debenture interest in a full year amounts to £137,500 (gross) and this amount is covered 8½ times by our surplus after deducting depreciation.

Your directors are of opinion that the trading results for each operating company throughout the group during 1954-55 should turn out to be as satisfactory as for the past year.

Our group income, after taxation and an amount due to a minority member of a subsidiary company, was £619,241. Of this amount, £254,660 has been retained in subsidiary companies and therefore the net income of the parent company is shown as £364,581.

You are now asked to confirm the payment of preference dividend for the year, £6,229, and the interim ordinary dividend of 5 per cent amounting to £40,891. Of the remainder it is proposed to increase the final ordinary dividend to 11 per cent to transfer £200,000 to general reserve, and increase the carry forward by £27,186.

The capital and revenue reserves now exceed the nominal value of the issued ordinary capital, and the board has applied to Capital Issues Committee for permission to capitalise part of the reserves to enable the company to make a bonus issue of one fully-paid ordinary share of 5s. for every three ordinary stock units of 5s. now held.

We export as much of our products as we can spare and supply to many overseas countries, but our products are raw materials to domestic manufacturers, most of whom have wide export interests, and their end products make a much more valuable contribution to the balance of trade than we could effect, and consequently we feel it our duty to give first consideration to the requirements of the home market.

The report and accounts were adopted.

At the subsequent extraordinary general meeting the scrip issue proposals were approved.

SMITH'S POTATO CRISPS LIMITED

RECORD SALES

The twenty-fifth ordinary general meeting of Smith's Potato Crisps Limited, was held on July 6th in London.

Mr Fermian Le Neve-Foster, the chairman, in the course of his speech, said: Once again your directors are able to present to you an excellent report. The net profit of the group, before taxation, amounts to £364,971 as against £293,276. The net group profit, after taxation, comes out at £141,575 as against £105,715 last year.

The appreciable increase in the profits of the parent manufacturing company is not attributable to any increase in profit margins per tin but solely to the heavy increase in sales of our products. Our net margin of profit before taxation is appreciably less than ¼d. per packet.

Once again I am able to report to you that the volume of production and sales constitutes an all-time record in the history of the company and the turnover has now reached a rate appreciably over £3 million per annum. This involves the manufacture and distribution throughout the country of approaching 400 million packets of crisps per annum, a rate approximating to 8 million per week. I imagine that few, if any, packet food products can approach this record.

THE DIVIDEND

The directors have decided to pay a final dividend of 20 per cent, plus cash bonus of 5 per cent, making a total distribution of 32½ per cent and thus maintaining the record for the 16 previous years.

The board considers that the time is appropriate to recommend a further capitalisation of reserves representing a part of the profits ploughed back. It is proposed that this should take the form of a capitalisation of a sum of £41,385 of the capital and general reserves which will be applied to the payment up in full of 165,540 shares of 5s. each to be distributed among the ordinary shareholders in the proportion of one fully paid share of 5s. for every 10 shares held. At the same time the directors recommend that the opportunity should be taken of increasing the authorised share capital of the company from £500,000 to £600,000 by the creation of a further 400,000 shares of 5s. each in order that there may be a margin of unissued capital at the disposal of the board should further occasion require it.

It is satisfactory to report that our farms, belonging to the Estates Company, had a reasonably good year and made a contribution to the group profit.

Once again the results of our Australian company for the year show a nice increase on the previous year.

"NO CRISPS LIKE SMITH'S"

Our product seems unique in the unlimited variety of its outlets. Wherever food is served or sold, Smith's Crisps will be found. Children are among our most enthusiastic supporters. You hear it said in all places, "There are no Crisps like Smith's."

During the current year, so far, indications of results are satisfactory. Under the policy and inspiration of our founder and with all our resources and experience, I feel that shareholders have every reason to be confident that this company will continue to give a good account of itself and maintain, and indeed, strengthen the dominating position it has established in the trade for our famous product, Smith's Potato Crisps.

The report and accounts were adopted and the board's capital proposals approved.

BRITISH GLUES & CHEMICALS, LIMITED

IMPROVED TRADING CONDITIONS

The Directors' Report and Accounts for the year ended March 31st were issued to the stockholders on July 6th, and the following is an extract from the review by the Chairman, Sir Roger Duncalfe:

A few days after last year's accounts had been approved by your Board our colleague Mr Tom Walton passed away. He had been a director since the inception of the company and was chairman from 1921 to 1946. We owe much to his inspiration and example; we all mourn his loss.

As I anticipated when concluding my last review we now report better results. Trading conditions improved somewhat; our turnover increased; we continued to reduce our costs and upgrade our products; raw material supplies were more plentiful.

Consolidated profit for the year is £676,896 (last year £243,424 for eleven months), after all charges other than United Kingdom tax, which amounts to £359,000 leaving a net profit of £317,896 (last year £106,424). After taking into account £15,287 reduction of surplus of subsidiary companies, the profit dealt with in the accounts of British Glues & Chemicals Limited is £333,183 (last year £107,473). We have credited Appropriation Account with £100,000, arising from the accumulated taxation over-provision for past years.

After bringing in £56,260 balance of profit from the previous period, we have available for appropriation £489,443. Our appropriations are £175,000 to General Reserve, £80,000 to Replacement Reserve, and £81,400 to write off goodwill.

The directors recommend, on the preference stock, final dividends of 4 per cent cumulative and 2 per cent participating, making 10 per cent for the year, and on the ordinary stock a final dividend of 15 per cent, making 20 per cent for the year (last year 15 per cent for eleven months).

Following the above appropriations and dividends we carry forward £63,668 in the balance sheet against £56,260 brought in.

Fixed assets at £1,023.583 show little change. At March 31, 1954, orders placed by the group on capital account amounted to £60,000. Additional schemes authorised at that date involve £55,000 further expenditure but I ought to mention that, apart from normal capital replacement, your directors contemplate spending over the next seven years some £500,000 on schemes of mechanisation, fuel saving, and further process development. Because of our strong liquid position we anticipate no difficulty in providing for this programme of capital expenditure.

The item of goodwill is deleted from our balance sheet by appropriation from revenue. The present true value of our goodwill, patents and trade marks, though very substantial, is difficult to evaluate; it is certainly much in excess of last year's figure of £81,400.

Current assets exceed current liabilities by about £1,850,000, compared with about £1,400,000 last year.

General Reserve now totals £725,000, Contingency Reserve remains at £100,000, and carry forward at £63,668 is approximately £7,000 up on last year.

Our deferred repairs programme having been substantially completed during the year, we have transferred the unexpended balance of £24,000 to the credit of profit and loss account.

Our turnover showed a substantial improvement on the previous year, and some reduction in stock resulted. The improved quality of our products counteracted to some extent falling market prices. In this connection our cold rendered tallows and our new glues have made a marked contribution to turnover and profit. Despite more competitive conditions our export turnover increased, and our dollar exports to North America were reasonably well maintained in spite of the trade recession over there. We have continued profitably to use in our own works the Chayen continuous cold extraction process, and we have licensed its operation both in this country and overseas.

The directors consider it opportune to take a further step to bring the issued capital of the company into closer relationship with the capital employed, by capitalizing £220,000 of the general reserve and issuing it in the form of two ordinary shares (4s. each) for every £1 ordinary stock now held.

Capitalization issues such as this tend to create an element of uncertainty regarding the preference dividend participation, which for the full rate of 2 per cent depends on payment of not less than 15 per cent ordinary dividend. The directors hold the view strongly that it is not in the company's interest for this uncertainty to continue; they therefore propose that the participating rights of preference stockholders shall be cancelled in return for the capitalization of £70,000 of the general reserve and its issue to preference stockholders in the form of two ordinary shares of 4s. each for every £3 of preference stock held.

Trading has continued to be satisfactory during the first three months of our current financial year, and whilst the future is to some extent obscure, I anticipate that unless world conditions markedly deteriorate, the current year will show a reasonable profit.

HIGHAMS LIMITED

The forty-sixth ordinary general meeting of Highams Limited was held on July 2nd in London, Mr Eli Higham (the chairman) presiding.

The following is an extract from his circulated statement:

I herewith submit my report for the past year's trading, and I am especially pleased that the profit of the company shows a very satisfactory increase, thereby enabling your board to recommend a higher dividend for this year.

In my statement last year I referred to projected developments in the company amounting to approximately £150,000; these have now been completed, together with others, at a total cost of just over £200,000. Whilst on this point I feel that it should be a matter of considerable interest to stockholders to refer to the fact that since 1948 your company has ploughed back almost £600,000 in additional fixed assets, which indicates the policy of your board in maintaining steady progress in development and modernisation; to this amount must be added a sum in excess of £600,000 which represents the increase in value of stocks now necessary to maintain normal trading. It is a matter of considerable satisfaction that the whole of these requirements has been met without obtaining additional capital, although there has been a temporary reduction in cash resources. At the same time, I am happy to record the fact that both production and sales of the group for last year were maintained at the highest level.

Trading is still very active, and I see no reason why the company should not enjoy another successful year.

The report was adopted.

HOUSE OF FRASER LIMITED

SATISFACTORY LEVEL OF CURRENT TRADING

CAPITALISATION AND BONUS ISSUE PROPOSALS SANCTIONED

The thirteenth annual general meeting of House of Fraser Limited was held on July 8th in Glasgow, Mr Hugh Fraser, DL, JP (chairman and managing director), presiding.

The following is an extract from his circulated statement:

The principal changes in the accounts as compared with last year are those arising from the acquisition of the ordinary capital of Binns, Limited, the profits of which became available as group earnings from April 28, 1953.

The main addition under dividends from subsidiary companies is an ordinary dividend amounting to £320,000 received from Binns, Limited, payable out of the profits of our new subsidiary earned since the date of acquisition.

In the company's balance sheet the book value of shares in subsidiary companies is stated after adding the cost of the company's investment in Binns, Limited, £2,961,363, and deducting dividends received out of pre-acquisition profits and distributions received from Binns, Limited (£1,360,000), and MacDonalds, Limited (£135,000), out of capital profits realised by these companies on sale of freehold properties.

After deducting pre-acquisition profits of Binns, Limited, the group trading profit has increased to £1,372,855, and the net profit before taxation is £1,226,775 against £605,209. The provisions required for taxation amount to £703,012 (£335,112), leaving a net consolidated profit for the year of £523,763 (£270,097). The net profit for the year remaining to members is £477,649 (£260,153), and after the appropriations for dividends and transfer to general reserve, the group carry forward is raised to £341,777 (£171,154).

CONSOLIDATED BALANCE SHEET

In the consolidated balance sheet the assets of Binns have been brought into account at book values. The total group assets are now increased by over £3 million to £8,588,310, and it will be observed that the total of current assets available at the end of the year to meet liabilities of £2,512,220 amounted to £5,030,035, giving a current surplus of £2,517,815.

The capital reserve account has been adjusted in respect of the bonus issues approved at and since the last annual general meeting, and the nominal amount of ordinary stock in issue is correspondingly increased to £564,464. As the value of net assets of Binns, Limited, brought into account exceeds the net cost of investment, there is added to capital reserve account the sum of £352,327, bringing the amount standing at credit of this account on January 31, 1954, to £2,456,054.

The state of the company's affairs has visibly improved during the year, and the progress in recent years may be readily measured from the total of share capital and reserves as shown in the consolidated balance sheets for each year since the company's stock was first publicly quoted, viz.:

(1949)	£821,335.	(1950)	£864,600.
(1951)	£913,574.	(1952)	£1,827,757.
(1953)	£3,790,265.	(1954)	£4,791,111.

The foregoing figures do not take into account recent valuations of leasehold and freehold properties which show an additional surplus of approximately £1 million.

CAPITALISATION OF RESERVES

A notice to ordinary stockholders issued with the accounts contains proposals relating to two bonus issues which will be considered at an extraordinary general meeting prior to the annual general meeting. The consent of the Treasury has been obtained for the proposed issues and the resolutions if approved, will sanction an increase in the authorised share capital of the company, the capitalisation of reserves to the extent of £587,042 10s. and the issue to ordinary stockholders in two stages of 2,348,170 ordinary shares of 5s. each credited as fully paid to be converted into £587,042 10s. ordinary stock. Application will be made to the Stock Exchanges in London, Newcastle, Edinburgh and Glasgow for quotation of and permission to deal in the new stock.

The directors do not consider that any further major adjustment of the issued share capital is required under present circumstances and the amount of any future small scale distribution will be reviewed annually.

The trading conditions experienced last year were by no means consistently favourable and the results achieved reflect very great credit on the management and staff in all stores.

The return to seasonal trading has been more marked in the current year. The first months were somewhat difficult, but trade has now reached a satisfactory level and the group earnings have been fully maintained to date. The improvements carried out at a number of the larger stores will increase their trading capacity, and if general economic conditions remain reasonably good, another successful year should be assured.

The report was adopted and at a preceding extraordinary general meeting the board's capitalisation and bonus issue proposals were sanctioned.

Note: The capitalisation proposals will be made effective as to £564,464 on July 8, 1954, and as to £22,578 10s. on October 5, 1954. Allotment letters comprising the foregoing nominal amounts of ordinary stock will be posted on July 20, 1954, and October 19, 1954, respectively.

ROYAL TECHNICAL COLLEGE OF EAST AFRICA

(Principal: Major General C. Bullard, C.B., C.B.E., B.Eng., M.I.Mech.E., M.I.E.E.)

Applications are invited for the post of

HEAD OF THE DEPARTMENT OF COMMERCE

The College, established under an autonomous Governing Council by the Royal Technical College of East Africa Act, 1954, is being built in Nairobi as the main instrument in British East Africa of higher technical and commercial education, to cater for students of all races. Teaching will be up to professional level in technical and commercial subjects, with strong supporting departments of science and arts. Mainly residential, the College is expected to contribute substantially to the social and cultural as well as the economic development of the region.

Candidates should have good hons. degree and/or appropriate professional qualification, and senior experience in a Technical College or University. In the present early stage of development, organisation and equipment will be first requirements. It is hoped to appoint Leoturers and Assistant Leoturers early in 1955 and to accept first students later that year.

Salary scale (including temporary c.o.l.a.) £1,850 x £50 to £2,050 p.a., or slightly lower for transferred staff wishing to retain Col. Govt. pension rights. (Scale quoted is for staff who would contribute to proposed College pensions scheme or maintain existing rights under e.g. F.S.S.U. or Ministry of Education, with College paying employer's contribution.)

Appointment would be made for one tour of 24-36 months in first instance with view to permanency. Partly furnished house or flat will be provided, rent £150 p.a. Staff may be required to live in hotel in first instance and would receive allowance towards additional expenses. Free first-class passages to and from Kenya will be provided for person appointed and wife, and up to equivalent of one adult fare for dependent children under 21. Leave on full salary at rate of four days for each month's resident service.

Write for further information to Secretary, Advisory Committee on Colonial Colleges of Arts, Science and Technology, 1 Gordon Square, London, W.C.1. Closing date for applications (six copies), August 12, 1954

GOOD EATING: The new monthly illustrated magazine for and about good food and drinks. First issue August, on sale July 15, 1s. 6d. per copy from all newsagents, or write to 167, Strand, London, W.C.2.

THE CHARTERED INSTITUTE OF SECRETARIES.—Directors requiring the services of Chartered Secretaries to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute, 14 New Bridge Street, E.C.4.

LADY required as Assistant Secretary to run new small office for young and growing professional Association. Commencing salary £490 p.a.—Box 623. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.

UNIVERSITY OF BRISTOL

Applications are invited for the post of ASSISTANT AGRICULTURAL ECONOMIST, tenable at Newton Abbot. Candidates must be graduates in Economics and/or Agriculture. Salary in accordance with the Ministry of Agriculture's scale. Further particulars may be obtained from the Registrar, The University, Bristol, 8. The closing date for the receipt of applications is July 26th.

UNIVERSITY OF ADELAIDE

Applications are invited for the following appointment:

LECTURER IN POLITICAL THEORY

Terms: Every potential applicant is invited to seek from the undersigned or from the Secretary of the Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1, a copy of the detailed conditions of appointment, which give particulars of duties, tenure, study leave, promotion, and travelling expenses.

University Film: A potential candidate in Great Britain may also borrow from the Secretary of the Association of Universities of the British Commonwealth a coloured film illustrating the University and the city and surroundings of Adelaide.

Salary Scale: Lecturer—£A1,000-£60—£1,300.

Superannuation: On F.S.S.U. basis.

Applications: Applications must include particulars of age, nationality, academic record, teaching qualifications, war service (if any) and present position; a list of publications; copies of testimonials; the names and addresses of two referees of whom inquiries may be made; a recent photograph; and a medical certificate of good health. They should be lodged in duplicate with the undersigned not later than July 30, 1954.

Further information about the post or about the University will be supplied on request to

A. W. BAMPTON, Registrar,
University of Adelaide,
Adelaide, South Australia.

SECURITY ANALYST required to assist Investment Trust Manager. Accountancy and/or Economic and Statistical qualifications an advantage. Applicants should tabulate personal details, qualifications and experience.—A supporting letter should indicate salary required to Box R. 119, c/o Stesters, 110 Old Broad Street, E.C.2. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.

BELGIAN Commercial Agency House, interested to join representation British Industries on commission. Light engineering, chemicals and precision instruments preferred. British and other references available.—Box 621.

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

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)

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RESERVE LIABILITY OF MEMBERS	$20,000,000

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CHIEF MANAGER: MICHAEL W. TURNER
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Colombo	Mongkok	Yokohama	Singapore (Orchard Road)	Iloilo
CHINA	INDIA	MALAYA	Sungei Patani	Manila
Shanghai	Bombay	Cameron Highlands	Tebir Anson	SIAM
DJAWA (JAVA)	Calcutta	Ipoh	Telok Anson	Bangkok
Djakarta	INDO-CHINA	Johore Bahru	NORTH BORNEO	UNITED KINGDOM
Surabaja	Haiphong	Kuala Lumpur	Brunei Town	London
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A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in

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COUNTY COUNCIL OF DURHAM

COUNTY PLANNING DEPARTMENT

Applications are invited for the permanent appointment of Research Assistant on Grade VIII A.P.T.—£785-£860 (commencing on the minimum).

The successful applicant will be concerned with the establishment and maintenance of an industrial bureau in the County Planning Department. He will be required to compile a register of industrial sites in the County including information on services, stability, etc.; to analyse statistical material on industrial trends, and confer with industrial developers. Applicants must have experience of industrial location work and preference will be given to graduates in Economics or Commerce.

Post superannuable and subject to medical examination. Apply with particulars of age, married or single, qualifications, experience and present salary, giving names of two persons to whom reference may be made, to the County Planning Officer, 10 Church Street, Durham, by Friday, July 16, 1954.

J. K. HOPE, Clerk of the County Council.

Shire Hall, Durham. June 24, 1954.

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Interesting vacancy occurs for young lady in Managing Director's office of large well-known manufacturing company in N.W. London. This is a salaried position requiring a good appearance and address, and good general education. Candidates must be competent shorthand/typists with knowledge of tabular layout, and have an interest and aptitude for statistical work.

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Toronto,
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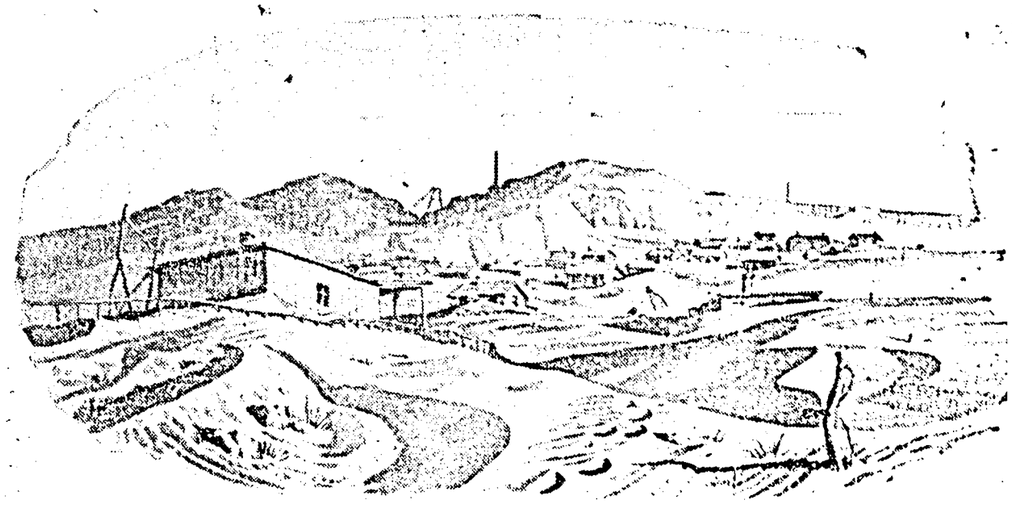
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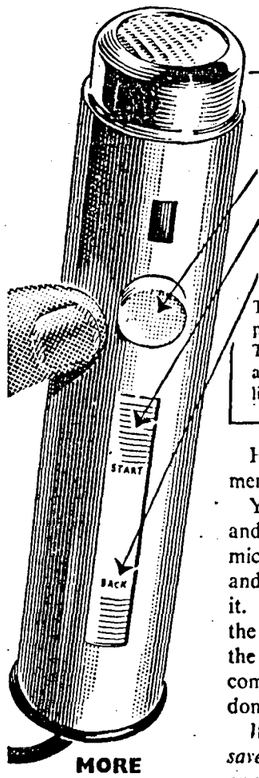
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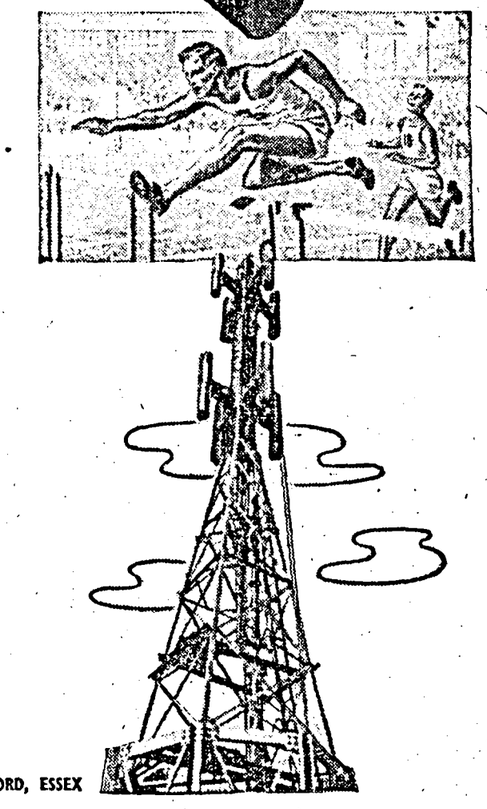
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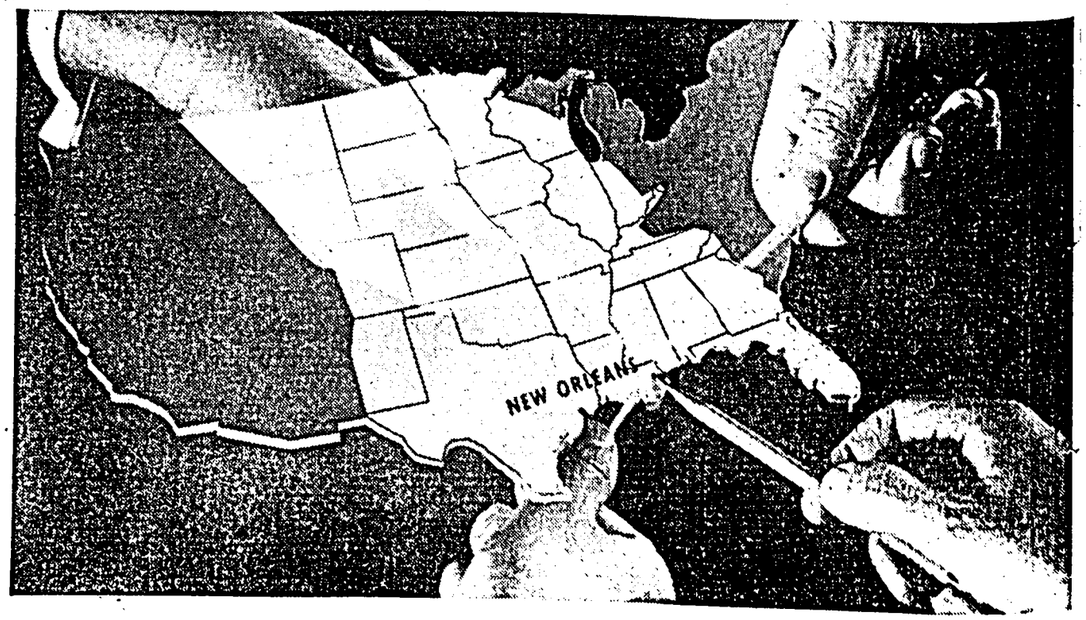
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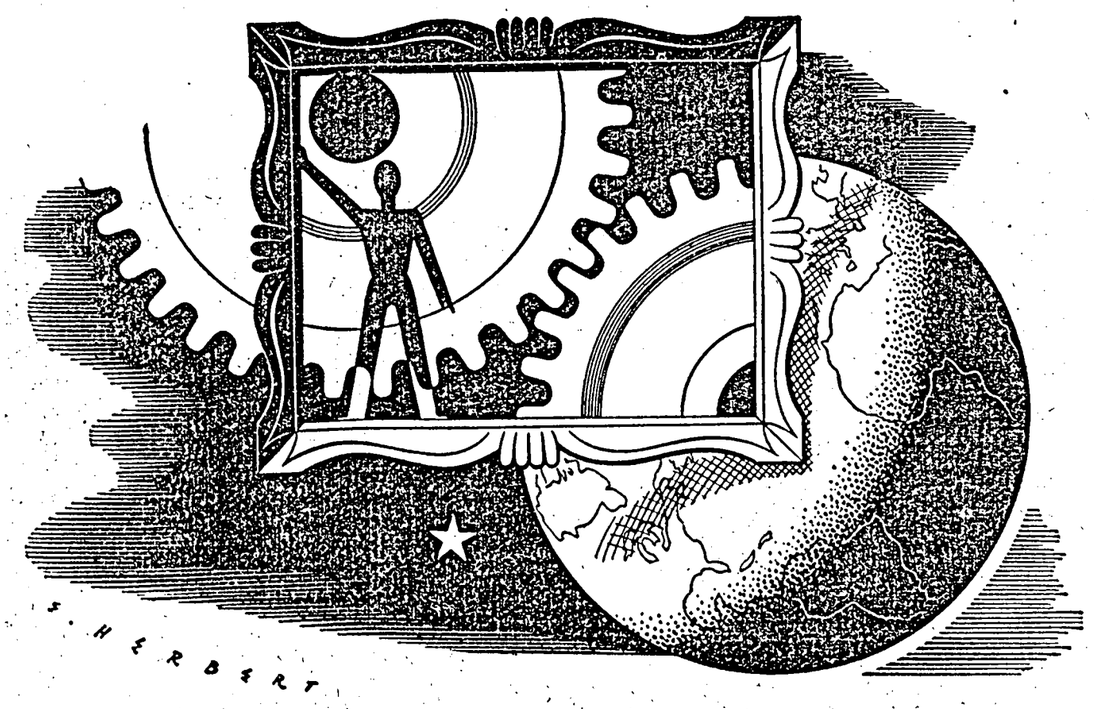
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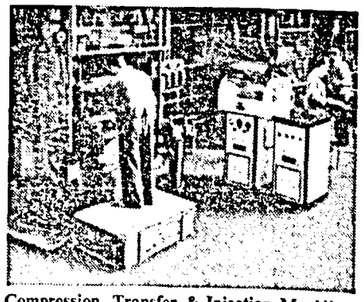
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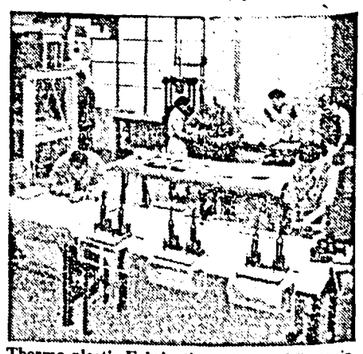
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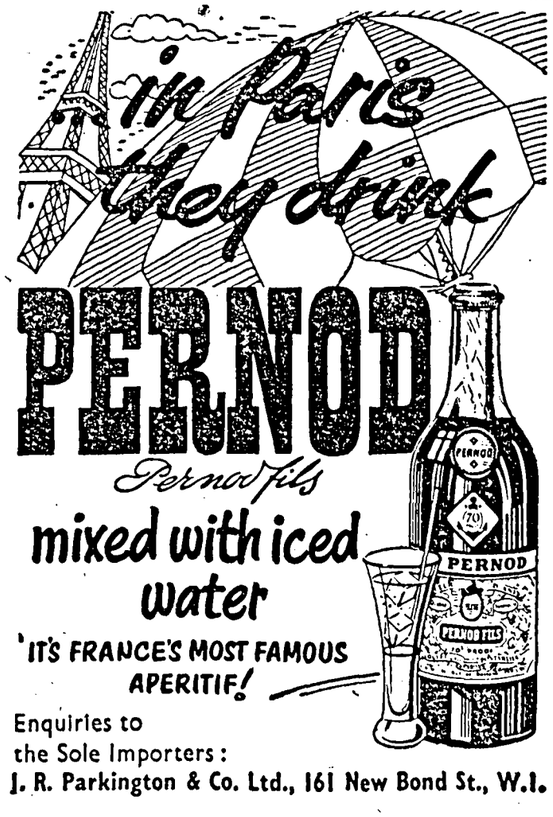
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Stand or Fall 173
Permanent Way? 175
Freedom of Movement 176
Africa's Insane Root 178

NOTES OF THE WEEK

No West German Army Yet; Tails are Wagging; Anglo-Egyptian Relations; German Socialist Tactics; Hopes in Paris; Ashamed but Unpaired; Developers' Charter?; Training Technicians; More Arms for Siam; East-West Trade in Hand; Vague Chinese Visitors; Disposal of a Corpse; Increasing One's Pension; Conservatives and Constituencies; Outburst at Jerusalem; Georgian Iconoclasts; Clearing the Attic; Muzzle for the Watch-dog?; Cuckoo in the Nest. 180

LETTERS TO THE EDITOR 190
BOOKS AND PUBLICATIONS . . 193

AMERICAN SURVEY

Congress on the Middle Road . . 197
Second Thoughts on Foreign Aid; Crops at Cross Purposes; Poor State of Health; Coal's Future; The Lattimore Serial; Lumber out of the Wood?; Shorter Notes.

THE WORLD OVERSEAS

Indonesia Watches in the Wings . . 203
Nasser's Deal in Oil; First Steps in Federation; The MRP in Limbo; Encouraging Soviet Farmers; Indians in Ceylon; Journal of Geneva—X.

THE BUSINESS WORLD

How Convertible is Sterling? 211
Profits in Prospect 213

BUSINESS NOTES

Official Tail and Market Dog; World Bank's Second Visit; Freedom for Sugar Traders; But Less Freedom at Home; First Half-Year's Trade; Towards a Fuel Policy; Investment in Fuel; Hire Purchase Half Free; Foreign Exchange Commissions Cut; Building Society Argument; Manpower for the Boom; Tax Certificates Rate Cut; Sterling for Egypt; Standard Calls it Off; Too Many Tankers?; Buoyant Holiday Spending; Quiet Trading in Cotton Textiles; The Banks' Half Year; Change in Retail Trends; Mild or Bitter?; Shorter Notes. 215

COMPANY NOTES AND SECURITY PRICES 226
STATISTICS 231

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Stand or Fall

IN Indo-China, this weekend, affairs have at last reached a point of make or break. General Giap's army is poised at the approaches to Hanoi. M. Mendès-France's deadline is next Tuesday; he is pledged to resign the premiership of France if by that date he has not closed his hand upon a settlement that his fellow countrymen will accept. If he falls, much else will totter. France will have to take a swift decision whether to send conscripts to help withstand new Communist assaults. Siam will demand a special meeting of the United Nations Assembly to consider its growing jeopardy. The Indo-China war will inevitably be extended in time, and probably in space. It may be months before the nations again come as close to a settlement as they have come in recent weeks; and in those months many fateful and irreversible things may happen.

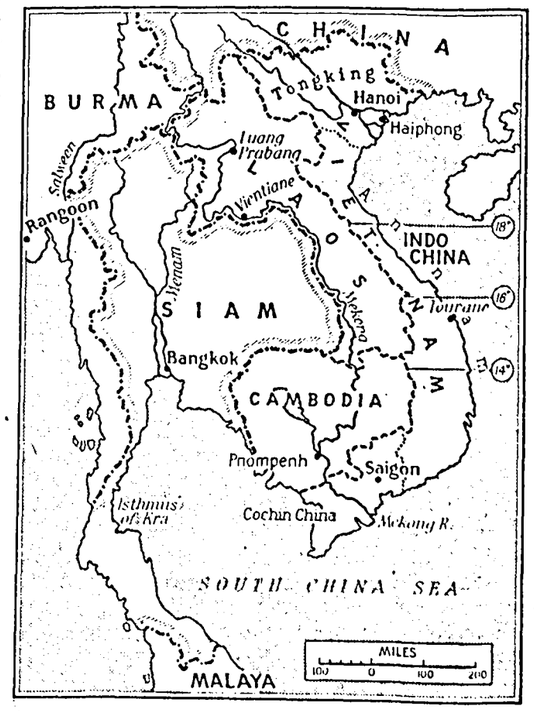
Yet, in these crucial days, the world has seen the French Prime Minister, sorely in need of his allies' support at Geneva, forced to plead openly for the return to the conference city of the American Secretary of State, who has himself been held back by fear that he would be confronted with an agreement his country could not approve; while the British Foreign Secretary has had to shuttle between Geneva and Paris, still in the role of mediator, but this time between Britain's allies. Even if one disregards all the shriller charges of appeasement and counter-charges of intransigence, the bare record of these jolts and jars among the western partners contrasts painfully with the soothing phrases about "intimate comradeship" that head the barely-dry declaration issued from Washington.

The plain fact is that at no time since the Geneva conference began has the West been agreed on the basic principles of a settlement in Indo-China. In the House of Commons this week, Sir Winston Churchill felt it necessary to defend the attempt made at Washington to express "broad and simple principles likely to command the assent of vast communities." Nobody should blame the President and the Prime Minister if their principles sometimes sound like platitudes. But what is in doubt is the relevance of the statements made at and after the Washington talks. What guidance for practical action do they offer at this moment, when the hinge of fate is groaning in Indo-China?

Dicta about the unwilling subjugation of formerly sovereign states, are scarcely relevant to the case of the Vietnamese, so many of whom passed willingly under a new yoke before sovereignty was yielded to them. Talk of peaceful coexistence is equally futile in the face of a steadily advancing army. Little consolation is to be found in reminders of the existence of the United Nations, for its machinery for joint resistance to aggression is inapplicable to a primarily colonial revolt. Nor is this the worst of the matter. Not only have the western nations failed to find a common principle that can be applied to the Indo-Chinese problem; they have failed even to find separate principles. It has been a depressing period for advocates of naked *Realpolitik*. Just as their textbooks advise, each of the major democracies has

pursued the policies that seemed best suited to its immediate national interests. The net result of these "realistic" courses of action has been a major military defeat, a sorry spectacle of disunity, and the jeopardising of each country's individual objectives.

To record these facts is neither crying over spilt milk nor indulging in vain academic argument. This week may be the last moment in which the western allies can decide to make an effective and united stand in South East Asia. It is, of course, theoretically possible that on July 20th there will be a dramatic lifting of the veils of uncertainty, and that the world will see either that all hope of an Indo-Chinese settlement has vanished, or that a settlement satisfactory enough to all parties is within grasp. But what is far more probable is that the Communist terms available when M. Mendès-France's deadline is crossed will look temptingly attractive to many eyes in France, in Britain, and in Asia, worth examination in the eyes of the French and British governments, and alarmingly suspect in American eyes. By what touchstones can it be decided whether such terms should be flatly rejected or probed a little deeper?



Now or never, all the loud talk about surrender on the one hand and intransigence on the other has to be repressed. Throughout the free nations, a conscious effort should be made to recall overriding common interests and to muster support for at least an essential minimum of terms based upon simple principles. The most elementary logic suggests that no settlement in Indo-China will be worthy of its name unless it leaves the free world with a militarily defensible frontier and with a fair chance of promoting political stability to the rear of that front. There has been too much sterile argument between those who think only in terms of strategic lines, and those who claim that Communist encroachment can be checked only by economic and political progress. Both forms of defence are essential.

For political stability, the minimum requirements are a firm stand on the integrity of Laos and Cambodia, two states where the Communists are less strong than they are in Burma; the exchange of individual Vietnamese placed in personal jeopardy by the redrawing of the lines across their already divided country; and machinery adequate to prevent the encouragement of further Communist guerrilla activity. From the strategic point of view, the bare minimum is the denial to Communist forces of southern Vietnam. Once that was in their hands, Laos and Cambodia, whose lines of communication run down the Mekong river, would be trapped; Siam would be outflanked; and Malaya would be only one jump away, as it was for the Japanese forces based in Cochin-China in 1941.

Two further points need to be made. First, no settlement in Indo-China will be stable if it is not accompanied by arrangements for joint defence in South East Asia; the Communists have no valid objection to this, for there have long been intimate military links between the Soviet Union, China and the Vietminh. Second, the hard fact must be faced that an agreed division of Vietnam, however provisional, would be an ugly addition to the number of partitions that already mar the map of the world. But those who will denounce it, whether they are Communists, Vietnamese nationalists, French or American diehards, can offer no alternative other than total war or the eventual uncorking of the whole South-East Asia bottle.

No conceivable settlement in Indo-China will be greeted with universal joy; the task is to retrieve whatever can be retrieved after a decade of waste and error — for which France is by no means wholly responsible. But a settlement along the lines here suggested would be morally, politically and militarily defensible. A so-called settlement that did not incorporate this essential minimum would be none of these things. It would neither promote "peaceful coexistence" nor prevent further "enslavements." It would be disastrous both in its effect on South-East Asia and in its repercussions for the alliance of the free nations. Better, indeed, that the Geneva conference should break up than that such a false and fatal "settlement" should be reached. It is deeply to be regretted that Britain's political leaders have failed, and failed again in Wednesday's debate, to make this clear to a Parliament and public that are still unaware of the real dangers of this critical moment.

Permanent Way?

BOYS play *trains*. *Grown men* have a superior game; they organise railways. Many of them are of the nostalgic school: there was nothing wrong with British railways in the days of the small "r" and the annual visit of the chairman of the NSEW to open the railwaymen's flower show at Exe on Wye; let competition thrive; get back to 1921 and its 123 companies. Others are members of a modern school, revelling in chaffy concepts; phrases like "functional organisation" and "*financial control in its broader aspects*" trip off their tongues, whereas a simple explanation of what needs to be done somehow sticks in their throats.

The traditional school will find no encouragement at all in the railways reorganisation scheme* published this week. "Competition in the ordinary business sense between the railway regions is impracticable" declare the Transport Commission. That is as true as the simple-minded notion that the nationalised railways could be made to behave competitively under a Conservative government instead of bureaucratically under a Labour administration was false. But if not competition, what then? The grand ideas of "co-ordination" of inland transport that informed the Transport Act of 1947 have been discarded. The commission is now intended to be primarily a railway owning and operating body. The Transport Act of 1953 told the commission to get rid of the bulk of its road haulage, abolished the Railway Executive, and called for a scheme of reorganisation for the railways. It is this scheme that the Minister of Transport has now commended to Parliament; the final stage, after the comments of both Houses have been gathered, will be to table an order embodying the scheme, which will have to be approved by Lords and Commons.

The Act gave the commission little guidance in the preparation of the scheme. There had to be certain regional authorities, endowed with unstated powers and responsible for gathering unspecified costs and statistics; the area authorities might be individuals or boards. The scheme gives a measure of precision to these requirements, but not a lot. The six railway "regions" remain, and they are not even to be re-christened "railways." They are so big that they can only be worked if they are broken up into smaller units or invigorated by "a definite measure of management decentralisation within them." To avoid a major upheaval, the commission have decided on the second alternative "for the present time." They claim that the pushing out of management functions to the regions would have three principal benefits: railway users would enjoy "a more direct and rapid contact with the railways of an authoritative nature"; the staff would lose their feeling of remoteness from management; supervision would be more effective and initiative from below encouraged.

But there is clearly no intention to test these advantages too far. The commission come inevitably to the conclusion that the area authorities must be boards, and not individuals. But they are not to be dangerous autonomous bodies capable of doing too many things for themselves. In five years the commission learned lessons that they will never forget:

> The experience of the commission between 1948 and 1953 has shown how essential it is that the authority of the commission in the scheme of organisation should be absolute. The scheme should admit of no doubt on this point. The function of the commission is primarily to determine policy, but they must have the authority to ensure that their decisions are carried out. . . . The commission are strongly and unanimously of the opinion that they alone should appoint the persons who would constitute the area authorities.

So the boards would consist of up to seven part-time members, one (or more) being a member of the commission, appointed for no more than two years. The boards would not be incorporated bodies and "for practical reasons their strength would have to be built up somewhat gradually." They will have general responsibility for supervising the railway system in their areas, improving the service and effecting economies (though they can only make "appropriate recommendations" to the commission where matters of "general policy" are involved), providing figures that the commission want, exercising such powers that the commission devolve, securing local contact with railway users and looking after the staff.

Delegation of this kind cannot do any harm; but is it capable of doing a tremendous amount of good? Already, the commission claim, they have devolved so much to the regional managers that they are left with "only the minimum powers" to fulfil their responsibilities and to ensure the best use of the resources of the railways. They retain the responsibility for the design and manufacture of equipment, labour relations of "a major character," charges, financial control, higher appointments, "the policies and principles to be adopted in railway operation," the allocation of wagons, and commercial policy in general. With these powers reserved to the commission (where many of them must inevitably remain), live area boards spurred by a sense of fulfilment towards "strong emulation" amongst themselves are a little difficult to imagine, and may be even more difficult to set up.

But the experiment may be worth trying. Boards in general charge of the regions may produce effective decisions for their areas, stimulate commercial enterprise, and tauten the driving spring of efficiency. But the big questions of policy and some matters of day-to-day working will not be for them; the commission will form policy, yet it will also allocate wagons among

* Cmd. 9191.

the regions and do business direct with large undertakings—thus straddling executive management and policy. Nor are the boards intended to be executive bodies concerned with day-to-day management; that will be the job of the chief regional manager and he, though responsible to the area board, will also have to listen to the technical officers of the commission.

With tactful care on all sides, this may be made to work. But one difficulty, surely, will be to find the precise weight of experience and personality that will keep the area boards in balance in this rather vague but evidently delicate counterpoise of commission, board, and manager. An unduly strong board might be even worse than a weak one. But the chances of a strong board are not perhaps very high, given the commission's power of appointment and its evident determination to hold the whip hand. And a strong board might demand something more exciting than the power to sanction capital schemes costing up to £25,000 (the National Coal Board gives its divisional boards power to sanction schemes costing up to £250,000) or to make staff appointments up to £2,500 salary.

But it would be unfair to criticise the scheme merely on the terms in which it is set down in the White Paper. Because it is described in guarded words, and because decentralisation turns out to be much more limited than some misguided optimists had supposed, it by no means follows that its broad principles are wrong. The commission are by statute responsible for finance and for railway charges; they cannot delegate these responsibilities. Nor in practice can they delegate wages and labour questions—if only because the unions would not let them. They can also defend their decision to retain a high degree of technical unification, imposed from the centre, by the claim that technical standardisation has produced useful economies. These plain facts circumscribe the scope for devolution of the commission's powers. But they also require from the commission a willingness to devolve what remains in a spirit of determined cheerfulness, not of grudging care. They call for the utmost objectivity in the selection of the area boards; independence and ability must be sought even if they occasionally produce results that are awkward for the commission and even if criticism sometimes stings. If the commission are looking to the area authorities for "a very real and big contribution towards increasing the efficiency of the railway industry," they will have to think big themselves. The scheme in outline suggests most clearly that the commission will be looking for subordinates. This is not the right emphasis. They should be looking for partners.

Freedom of Movement

THE pound sterling continues to be very strong. Day by day the rate of exchange bumps against its upper limit; month by month the reserves grow. Though the inflow of foreign funds has abated since the reduction in Bank rate two months ago, the world's confidence in sterling is still high. It is clear that this strength should be put to some use. The reserves, it is true, are still very small for the task they have to perform, and will have to be built up still further. But to use the strength of the currency solely for piling up gold and dollars would be to play the miser's role. Something more constructive and fruitful is generally expected. Indeed, there is a feeling that the opportunity is at hand to take another long step back from the siege economy to more normal conditions.

The expectation is that this step will take the form of making the pound sterling convertible. Discussions on this subject have now been going on for more than two years, and the Finance Ministers of the OEEC countries have assembled in London this week to carry them a stage further. Whether, after all this talk, the Finance Ministers (or anybody else, for that matter) are quite clear in their minds what convertibility means is very much more doubtful. Whether the British Government has yet made up its mind to take any decisive step is also by no means certain. In recent weeks the tendency in official quarters has been to see the future risks of a pledge to keep sterling convertible more clearly than the immediate gains, and the present indications are that the course will be to persevere with the step-by-step relaxation of restrictions—which, as a later article shows, has already gone a long way—but not to give any formal pledges, or to make any spectacular dashes for freedom.

Convertibility, however, is not the only thing that could be done with the present strength of sterling. Nor has it ever been clear why it should be thought to be the first and the most important. There is something else that, on the highest grounds of public policy and of human rights—one could almost say of public morality—should come at the top of the list. This is to restore, and in full, the basic human freedom of movement. At present the British resident is still closely circumscribed in his personal movements. He can, it is true, use his money freely for travelling within the sterling area, without having to convince any official of the "necessity" of his journey. This is something—indeed, it is a great deal. But unfortunately most of the countries of the sterling area are a long way off. Nearer home, in Europe, the British resident is still limited, except in Scandinavia, to an expenditure of £50 a year (worth perhaps £16 in prewar purchasing power) without carry-forward from one year to the next. In the western hemisphere expenditure for private travel, except for business purposes, is not permitted at all.

This is a lamentable restriction on the freedom to move around, to go visiting, to poke noses into unexplored corners—in a word, to get to know the world. It has already gone on far too long, and the time has come to stop it. It would presumably not be possible simply to abolish the controls on expenditure for private travel, which would open too large a loophole for the export of capital. But there is no very apparent reason why the method that already applies to business journeys should not be extended to private journeys—that is, to permit expenditure up to a stated maximum, say £8, per day for the number of days that the applicant actually spends out of the country. And, as with business journeys, this facility should be available in every country of the world.

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Against any such proposal there will of course be raised the familiar argument that nobody but "the rich" wants to spend more than £50 a year for foreign travel, and that they should not be allowed to get their hands on any more of the nation's scarce supply of foreign exchange than anybody else.

There are several answers to this. The first and most practical is that, if it is true that very few people want to spend more than £50, then allowing them to do so would cost very little. To those who think that every thing should be forbidden (especially to the rich), except such activities as seem to the gentlemen in Whitehall to be in the public interest, this will not be a very strong argument. But to those who believe that the only sound principle for a free society is not to forbid people from doing what they want unless their activity would inflict real harm on somebody else, it will seem a very strong argument indeed. It is impossible to estimate at all closely what the increase in expenditure on foreign travel would be if the restrictions were removed. The total gross expenditure on travel to non-sterling countries in 1953 is put at £49 million. But this includes business travel, and the private total must have been below £40 million. At a guess, it seems unlikely that the removal of restrictions would cost more than £10 million of foreign exchange.

But the matter should not rest on practical considerations alone. Even if it be true (as it may well be) that most foreign travellers do not want to spend more than £50, it is still wrong to put a limit on the minority who do want to spend more—since there cannot be any real doubt that the country can afford it. Fifty pounds is not, nowadays, a large sum. Perhaps to many people it sounds large in one lump. But there must be many millions of people, even among those who rank for political purposes as "the poor," who spend more than that in a year on tobacco (which cost £76 million of foreign exchange, mainly dollars, last year). Neither the one form of expenditure nor the other is strictly necessary; why should one be permitted without sumptuary limit and the other not? Everybody spends his money in a different way and nearly everybody has his particular favourite form of expenditure, for which he contrives to find what his friends and neighbours think an extravagant sum of money. This is freedom. For one man it will be his car or his motor-cycle, for another drink, for others books or photography or greyhound racing. On none of these does the law seek to set a limit of expenditure, although all of them in greater or less degree cost foreign exchange. Is private foreign travel less worthy than any of these?

We have gone a long way, in recent years, by income taxes, death duties, once-for-all Special Contributions and the like, to limit the amount of money that a man can dispose of. But he is still allowed to decide for himself what he shall do with what money remains to him, and it is surely basic to free society that it should be so. It is time to insist that the principle should once again be applied to the freedom of movement.

Even this is not quite the end of the matter. Not only has the individual citizen the right to spend his money on travel, instead of on gambling or drinking, if he wishes to do so, but it is also directly in the public interest that he should do so. It is a temptation to think of foreign travel chiefly in terms of the hurried two or three weeks of annual holiday. The cultural value of this should not be despised; but neither should it be exaggerated. This is not, however, the sort of travel that is stopped (though for some people it may be abbreviated) by the restriction. It is the longer stays abroad that are now usually impossible and that it is most in the interests of public policy to encourage. Both before and after the main working years, both among the young and among the retired, there are many who have the time and inclination, and can find the means, to settle in foreign countries for extended periods in order, among other things, to get to know them. There are the writers and artists who want to live and work abroad. There are professional people and public servants who have extended periods of leave. There are students between courses. There are hundreds of other reasons which have, in all past times, led countless thousands of British men and women to live abroad for months and years at a time, to their own enjoyment, to the enrichment of the cultural heritage of the nation and to the mutual understanding of peoples. Is this sort of thing never to be permitted again? If we are to build up a real community of understanding among the nations, should not this cross-fertilisation of cultures be encouraged instead of prohibited? And is it not high time, nine years after the end of the war, to insist on making a start?

Before any expensive promises are given to foreign traders and bankers, the Chancellor of the Exchequer should first consider what he can do to restore the rights of his own patient people. He should consult his own deep concern for human values and for individual liberties, and put the restoration of the freedom of human movement at the very top of the list of things to be done with the new strength of sterling.

Africa's Insane Root

NEXT Thursday the House of Commons is to hold a debate about the situation in Kenya. This is a subject about which most members are as bewildered as they are uneasy. For Africa has presented no more baffling spectacle, no barbarity more difficult for the ordinary westerner to understand, than that of the Mau Mau movement. The emergency has now been dragging on for nearly two years ; and the actions, oaths and ceremonies of this mystic cult—which has attracted not only the passionate adherence of a few, but also the passive goodwill of the majority, of the most advanced tribe in Kenya—have grown steadily more horrible. The active terrorists, who have taken the so-called "platoon oath," are committed to kill any enemy even if he be their father or brother, to cut out their victims' eyes and to drink the fluid from their eyeballs. These are not people whom even Mr Fenner Brockway could quickly turn, through the liberal export of ballot boxes and other western appurtenances, into respectable Labour voters. It is not surprising (although it is also not excusable) that, as stories seeping through from the spot continually suggest, the counter-actions of forces drawn from settlers and loyal Africans have left some ugly stains and scars behind them.

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How did this horror start, and where will it end ? Is the movement indigenous to the Kikuyu tribe or is it liable to spread like a bush fire across Africa ? Nobody can pretend to give a complete answer to these questions, but the House should pay careful attention next week to an expert's recent assessment. It is contained in the report*, written specially for the Kenyan government, by Dr J. C. Carothers, a psychiatrist who has spent the greater part of his working life in Africa. If its analysis is broadly correct, and most of those with experience of African conditions believe that it is, it helps to point the way in which policy should go in East Africa.

Dr Carothers's most frightening conclusion is that the conditions that bred Mau Mau are not peculiar to the Kikuyu, that the break-up of tribalism carries these, or similar, risks with it everywhere in Africa. The hurried and uneven pace at which Africans are now absorbing western ideas makes them particularly susceptible to myths and movements that relieve them of the need for personal responsibility. In their early years most Africans are still brought up in the almost unaltered rituals of a tribal life in which the checks and balances are external, and the individual is not trained to take personal decisions. African children are pampered. African adolescents are thrown unprepared to earn their livings in a harsh and unfamiliar western world. As a result they tend to look back on the past as a time when they—and their tribe—could get their own way ; and any unfavourable outside event—such as the coming of the Europeans—is not seen for what it is, but as an evil force impinging on the magic tribal circle. "The outsider," says Dr Carothers, "has no rights and if he has inspired fear and hate the vilest of behaviour is appropriate." This basic attitude seems to persist even when the African has acquired the smatterings of a western civilisation. It is made far worse when, as with the Kikuyu, the women who bring up the children have hardly begun to share in any partial enlightenment, but cling dogmatically to the old superstitions.

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Mau Mau, according to this analysis, is thus the product of a situation in some ways similar to that which led to witchcraft and devil-worship in Europe in the sixteenth and seventeenth centuries. The breakdown of tribal restraints, like the breakdown of the dominance of the mediæval Church, has thrown an intolerable burden on individuals quite unused to withstanding such pressures. Retreat to the past was impossible ; advance to a Christian civilisation has either been thwarted or proved too difficult. The third solution was found—part religious, part political movement—in Mau Mau. In Dr Carothers's words "it arose from the development of an anxious conflictual situation in people who, from contact with an alien culture, had lost the supportive influences of their own culture, yet had not lost their magic modes of thinking. It arose from the exploitation of this situation by relatively sophisticated egoists." Men like Jomo Kenyatta and his associates (who themselves had a quite irrational belief in their own capacities) found it both tempting and easy to work up Kikuyan grievances into passionate hatreds. By giving a slight twist to many old ceremonies, which had begun to lose much of their original meaning, they were able to make schemes for their own advancement appear as movements that offered a new purpose and unity to a tribe that had lost its roots and bearings. Once they had sown the dragons' teeth, perhaps even they were frightened at the whirlwind they reaped ; but it should not be assumed that this experience will be a lesson for Kenyattas of the future.

Will there be Kenyattas in the future, or does the present emergency spell the beginning of the end of Kenya as both Europeans and western-trained Africans have known it ? Dr Carothers is plainly confident that the emergency will be overcome. He thinks there is nothing in the magic of Mau Mau which cannot be eliminated either by de-oathing or by demonstrating the cult's failure to its victims. "The African," he says,

* "The Psychology of Mau Mau," by Dr J. C. Carothers. Government Printer, Nairobi. 50 cents.

"shoots up from a sense of impotence to one of omnipotence and feels he has nothing more to learn.... The converse is equally true. When the power bubble is definitely pricked, this omnipotence collapses and gives place to an opposite conviction in which he sees himself again as the impotent victim of an unkind world." For this reason, Dr Carothers agrees with the widely held view that a breakdown in confidence may bring Mau Mau, as an open resistance movement, to a stop before anyone is really ready. The fact that the terrorists in the Mount Kenya district recently came so near to surrender suggests that the settlers will be given a second chance ; unfortunately, the local crassness, which—it is now clear—was partly responsible for preventing that surrender, suggests that they are in no mood to take advantage of it.

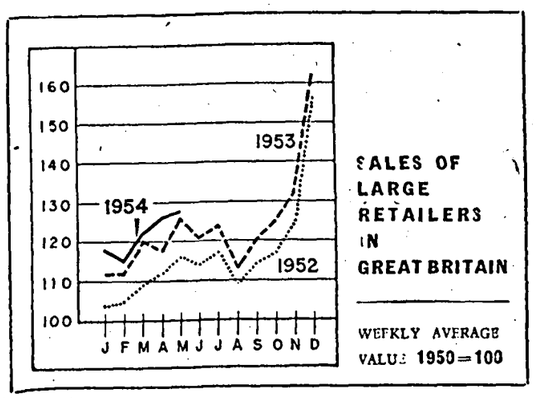
If this is an accurate outline of the colony's prospect, the crucial stage for policy in Kenya may not be now (when the overriding aim must be to grind the rebellion to ashes as quickly as possible), but in the immediate aftermath of military victory. Kenya may then be faced with a situation in which the settlers will pretend to remember that "toughness" pays ; when the Kikuyu tribe as a whole will be cowed but smouldering with new resentments ; and when African politicians will be temporarily too frightened to yield to the normally easy temptation to irresponsibility. It is quite possible that a year or so from now Kenya will appear to be enjoying peace, but will in fact be enjoying only an uneasy armistice between horrors.

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Two conclusions for policy emerge. The first is that, after the possibly sudden end to the rebellion, the principal aim (more important even than punishment of the obscenely guilty) must be to counter the bitterness out of which a new movement could easily grow. There is no quick or simple recipe for this. The Government is already moving in the direction Dr Carothers wishes it to go—of creating villages in the reserves to replace the present scattered smallholdings, and of raising the standards of Africans in town employment so that eventually they will cease to need a precarious footing in country life. Perhaps even more important is the need to bring on the women as fast as the men, so that internal family conflicts—the most damaging of all—can be eliminated as far as possible. Progress in all these fields is bound to be painfully slow. Meanwhile, there is the uneasy news that nearly 50,000 Kikuyu are still herded in detention camps. The chaotic conditions in the reserves suggest that many of these people will be unable to rejoin their families when they are released ; the activists may well be gaining leadership over the passive supporters of Mau Mau in the camps themselves ; and the hard core of future movements may be germinating here, under the authorities' own noses, among people who have never been forced to surrender to overwhelming strength in the field. In a military sense the policy of detention camps is no doubt necessary ; but it contains the seeds of terrible future trouble, unless the screening can be finished and the camps cleared in the next few months.

The second principal conclusion touches more critically on the white population. If the unavoidable experiment of creating an African civilisation is to have a chance of success, the Europeans in Africa must practise what they preach. Many settlers will not like Dr Carothers's remarks on this score. He says, for example, "if the general white population of this colony cannot practise Christian principles in their dealings with their fellow men, both white and black, the missionaries might as well pack up their bags and go." That is frank talk. It applies with quite as much truth to the field of politics, where for years the Europeans have given a demonstration of irresponsibility which Africans have sometimes, and not surprisingly, copied. Unless leading African politicians are given an increasing opportunity to secure positions of responsibility in the new multi-racial government, it is quite certain that the most ambitious of them will resort instead to playing with fire, as Kenyatta did.

Settlers often complain that a higher standard of conduct is asked of them than their critics would be prepared to accept in comparable circumstances. Of course it is. That is the price they have to pay for living in this otherwise pleasant part of the world. They also fear that the doctrine of multi-racial government—which was reinforced this week by Mr Blundell's decision to form a United Country party which, it is hoped, members of all races will eventually join—may lead some day to the swamping of white legislators by black ones. Of course it may. The alternative lies between running this risk and blocking advancement to politically-minded Africans in a way that will inevitably drive them back to making mischief in the reserves. The alternative is between a policy that should allow the settlers to preserve their present rights in Kenya for another fifty years (nobody can tell what will happen after that), and a policy that will inevitably lead to another outbreak of Mau Mau violence even after the present horror is defeated. The settlers must make up their minds which alternative they will choose.



Notes of the Week

No West German Army Yet

SIR WINSTON CHURCHILL and Mr Dulles lost no time in revealing to their respective parliaments the result of the Anglo-American study group's intensive week of work. The political part of the Bonn conventions has now been divorced from the EDC Treaty; and Mr Dulles has stated that if the French Assembly adjourns in August without ratifying the EDC, the French government will, as a first step, be asked to join in bringing the revised conventions into force. In their new form, the Bonn conventions will not specifically give Germany the right to rearm, for the simple reason that all references to rearmament are cut out. In effect, therefore, full German sovereignty and rearmament have both been postponed. This is still not properly grasped in Germany, and when it is, trouble may be expected. Not that the Germans—except for the professional soldiers—are eager to set up an army; but they emphatically demand sovereignty, and it cannot be said that they will have it until they have *Wehrhoheit*, or the right to do what they wish in the matter of defence. Dr Adenauer is ready to accept the Bonn conventions for the sake of speed, but his coalition partners do not all agree, and the Social-Democrat leaders have always objected to the extra-territorial rights that the allies retain. When the limitations still imposed by the revised treaty are realised, Dr Adenauer may receive more criticism than congratulations—while the news that the crucial rearmament question has been postponed will be welcomed in Paris.

It is certain that Dr Adenauer will be pressed to make use of the most important new right that will be granted him by the Bonn conventions—that of negotiating directly with Moscow. That he is worried about this prospect of the demands that will be made on him may be seen from his latest broadcast. In this, he felt obliged to reply to a statement that "people say your policy has now run into a blind alley and that German foreign policy ought to be entirely remodelled."

Tails are Wagging

THE ANGLO-AMERICAN agreement about Germany has come as a great relief to Mr Attlee, whose principal concern now is not so much to secure peaceful co-existence with Russia as to maintain it with Mr Bevan. If France does not ratify EDC the Government's new alternative policy may now be nominally supported by a united Labour Party—although with the rider that "postponement of German rearmament for the time being" will be taken by the Bevanites to read "postponement for as long as possible." Unfortunately, Mr Attlee is likely to find it convenient to support this reading. His speech in the debate this week was that of a man who is being wagged by his own political tail, and who will soon be packing his bags for an unwilling visit to Communist China.

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Meanwhile Sir Winston is faced by a rather similar show of irresponsibility on his own side of the floor. He followed a long string of other Government spokesmen this week in yet another—and heavily stage-managed—appeal at a private Tory meeting, designed to secure the silence of the back-bench Tories who have revolted against the proposed withdrawal from Suez. He was singularly unsuccessful. The rebels have announced that they will vote against any agreement that involves the complete evacuation of fighting troops, and one of them, Major Legge-Bourke, has resigned from the party. With Labour in favour of an agreement with Egypt, the Government should not be troubled by the loss of the rebels' votes, but it can still be greatly embarrassed by their speeches. There is no excuse for this revolt. The rebels know perfectly well that the military experts have been saying for months that the Suez base is no longer of strategic value and is, in fact, pinning down the men needed to form a strategic reserve. Experts are not infallible, even when unanimous, but the rebels have never shown any military insight comparable to their well-developed sense of public relations.

What should cause the Government most concern, however, is not so much the rebels' present activity as their evident intention to keep their group in being even when the Suez issue is settled. For a certain type of Tory the Suez evacuation will be the last straw, the culmination of a long series of "scuttles." The "Waterhouse group" has therefore indicated that it will remain as a rallying point for all who still have a sneaking feeling that Kipling was right. The Government is lucky that the rebels have so far failed to find a leader of any national prominence; if they did they might be able to paralyse Tory foreign policy as effectively as the Bevanites have hamstrung Labour's.

Anglo-Egyptian Relations

TORY manifestations of the pig-headed side of John Bull are inopportune at a moment when Colonel Nasser is making obvious attempts to show a more co-operative attitude. They represent feelings that few British citizens

harbour in 1954, but that all Egyptians think to be eternally typical of Britain; the chief comfort that they give is therefore to Colonel Nasser's British-baiting critics.

In several respects Anglo-Egyptian relations have in the last week or two been restored to a reasonable level. The British Treasury has this month released £10 million from Egypt's sterling balances held in London, as it was due to do under the agreement of 1951 at some date during the current year. Colonel Nasser's government, faithful to the verbal statements its members had made, has at once responded by lifting all restrictions on imports from the sterling area. Colonel Nasser has also just agreed on a new tie-up with western oil companies, the implications of which are described in a special article on page 204. Most important of all, perhaps, is the fact that the Nasser government has used its influence to cause "incidents" to dwindle to nothing in the Canal Zone. The British as well as the Egyptians stand to gain if an era of complexes and posturing is over.

German Socialist Tactics

BRITISH Bevanites have for long doggedly persisted in claiming that the German Social-Democrats shared their opposition to German rearmament. This is an illusion which should be finally dispelled by Herr Ollenhauer's broadcast last weekend. Though the Socialist leader in other respects only confused the issue after Dr Adenauer, a week previously, had clarified it, he once again made it plain enough that he is not against a German army, but only against the European Defence Community. It is small wonder that the British Labour opponents of a revived *Wehrmacht* find it hard to grasp that the German SPD objects bitterly to the one form of German rearmament that offers safeguards against a revival of nationalist militarism. The answer lies basically in the determination of the Socialist leaders to build up a patriotic party, and come to power as champions of German unity and sovereignty. The most formidable criticism of the EDC that the Socialists bring forward is that it would destroy any chance of an agreement with the Soviet Union to reunite the Soviet zone with the Federal Republic. Like Mr Molotov, though for different reasons, Herr Ollenhauer argues that the western "policy of strength" is blocking German reunion.

The German Socialists' alternative to the EDC has always been exceedingly nebulous. Hitherto it has been proposed that Germany should have an army which would somehow be innocuous because Germany would become a member of the United Nations. Now Herr Ollenhauer has squared the circle by declaring in one and the same breath that he rejected a national army and advocated a coalition force. Herr Ollenhauer seems to have ignored the fact that Dr Adenauer had just pointed out that any alternative to the EDC, whether called "coalition army" or anything else, meant a German national army which would demand full equality. The contradictions in Herr Ollenhauer's speech, and his new declaration of solidarity with France, suggest that the Socialist leader is simply trying to make political capital out of the bad impression made both in Germany and in France by Dr Adenauer's blunt warning. These opportunist tactics make the German Socialists bad guides for British Labour, and unreliable allies for French opponents of the EDC.

Hopes in Paris

THE announcement of the Anglo-American proposal to grant Germany a measure of sovereignty at an early date did not greatly disturb the mood of Paris on the Fourteenth of July. Indeed, the first French reactions were surprisingly balanced, in contrast to the lively emotion provoked by Dr Adenauer's recent broadcast and by the setting up of the Anglo-American study group. The new plan was viewed in Paris for the moment as half ultimatum, half reprieve. As an ultimatum it satisfied the faithful French supporters of EDC. But the adversaries of the treaty, who had expected considerably stronger threats, received the first news from London and Washington with a sigh of relief; the alternative did not look as menacing as it had been painted. They were particularly pleased with the fact that, whatever happens, France will not be bypassed in the negotiations, that its agreement will be sought by its allies.

Nor are the French greatly concerned by the time factor. True, Sir Winston Churchill said firmly that this matter cannot hang in the air indefinitely, and Mr Dulles asked for an answer about EDC before the French Assembly adjourns. But the time-limit had really been set by the French government itself; it was implicit in M. Mendès-France's own calendar. He had bound himself, if he gets over the Indo-Chinese hurdle without tumbling, to present his economic programme and then pass on swiftly to European affairs. If the National Assembly tackles the economic problems as soon as the results of Geneva are known, the debate on European defence could begin in the early days of August.

All this is obviously conditional on the survival of M. Mendès-France, and the government, with only a few days left to get a settlement, is naturally enough concentrating on Indo-China. Mr Dulles's visit and the decision to send Mr Bedell Smith to Geneva were greeted as most welcome gifts for France's national day. It is held that they will considerably strengthen the French hand in the last stage of the negotiations, and much praise is lavished on Mr Eden for his vital part in bringing about an American change of mind. Time is running terribly short, but there is a feeling in Paris that M. Mendès-France may still beat the clock.

Ashamed but Unpaired

THE squalid struggle over MPs' pay has left behind it the worst possible impressions in the public mind—a Government that was more anxious to avoid the appearance of a salary increase than the fact of it, an Opposition that magnified a minor piece of shabbiness into a major national issue for purely personal reasons, and the

revelation that MPs are questioned about deductible "expenses" by the Inland Revenue less closely than are ordinary people. It will be intolerable if it is also to leave behind it a permanent interference with the smooth working of the House, in the shape of a continued ban on pairing.

Labour MPs now recognise that they made a mistake when they imposed this ban; their constituents have complained that this battle over pay has been the only one in which they have been willing to attack the Government with all means in their power. To counter this criticism they are continuing the ban after the settlement of the pay claim—apparently in the hope that it will now be connected with a debate on old age pensions which they are holding on a Supply Day next week. The party leaders are too frightened to oppose this senseless subterfuge, and their Whips actually welcome the affair. It gives them an opportunity of persuading the party that all future pairing arrangements should need their sanction. This would help party discipline; but it would not help British democracy.

There is a much wider issue here than that of the convenience of a few Tory MPs and Ministers. The machinery of the House—and of British Government—is based on the theory that an MP need not attend at all times when the House is sitting. Since few days pass without a vote being taken on some matter of Government business, however obscure, there are only two ways MPs could ever be freed—by pairing or by absentee voting. The latter system works overseas but would be alien to so intimate an assembly as the Commons; nor is it really necessary, since a vote of confidence can always be foreseen in advance and a Government defeat on a minor issue—say in committee on a Bill—can usually be reversed later. Pairing is much the more sensible and convenient way of ensuring MPs a reasonable degree of freedom. It is also a good thing that, except for invalids or ministers away on Government business, pairing should be a purely personal arrangement between the two MPs concerned. An MP knows that if he behaves priggishly, boorishly or unfairly, he will find it difficult to persuade anyone to pair with him. Good manners and fair play are not such obvious political virtues that this small sanction can be thrown away, to save the face of men who are now ashamed of their reaction in a squabble which they should devoutly wish to be forgotten.

Developers' Charter?

"THIS Bill is not a charter for the landlord, it is a charter for the developer." This was Mr Macmillan's description of the Town and Country Planning Bill, which was given its third reading in the Commons this week after considerable emendations in committee. Landlords will certainly agree with him. Development charges have been abolished and no alternative levy will be put in their place; in this respect development will be stimulated. But the Government still wishes to preserve a strong system of public control over land use; and, in the absence of a betterment levy, it believes that the only way to make planning easy is to keep compensation cheap. It has done this by tying compensation for both planning restrictions and compulsory acquisition to the 1947 scale of development values. Even Labour members recognised that this arrangement will, to quote Mr Irvine, work out "iniquitously unfairly as between different owners of property."

The question that was not raised in the debate was whether this unfairness will ultimately be of benefit to town planning. At present, planning proposals are invariably met by a horde of objections that have to be carefully sifted at public inquiries. In most cases there is no real planning issue at stake, but simply the objector's natural wish to get the market price for his land. Farmers fight local authority schemes "in the interests of national food production," and sometimes win their case; they rarely find it necessary to strike this patriotic attitude in opposition to schemes for private development, since private developers buy them off. This shadow-boxing makes for illogical and shortsighted planning decisions. The difficulties can also be seen in the unwelcome reappearance of ribbon development. If effective town planning entails economic injustice it is bound to suffer; the real planners in the House of Commons this week should have marshalled on the landlords' side.

Training Technicians

TWO new steps have been taken to increase the supply of trained technologists that Britain so badly needs. The background to each has clearly been a decorous battle between those who recognise this need and those who harbour an unreasonable fear that an increase in the technologist's *amour propre* might impair British traditions of university education.

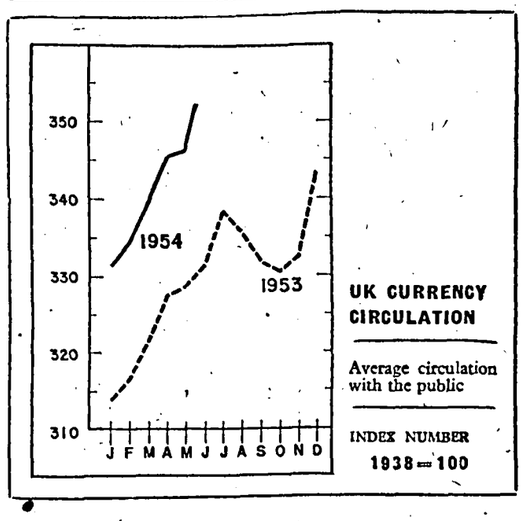
First, the Treasury is to spend more money on expanding higher technological education outside London. In a guarded statement to the House of Commons this week Mr Butler announced that these developments will take place at institutions—principally in Glasgow, Manchester, Leeds and Birmingham—already in receipt of recurrent grants on the recommendation of the University Grants Committee. He also stated that, to avoid "dispersal of effort," there will be no increase in the number of university institutions concerned with technical education; in particular there will be no change in the status of Bradford Technical College. These are dubious decisions. It is important that the University Grants Committee's dislike of the American habit of "debasing the currency," by calling almost any institution that deals with higher education a university, should not be allowed to get in the way of measures that might help to increase the numbers of technologists in Britain. Moreover, there is a case for arguing that the training effort should be dispersed; Britain's need for an increase in the numbers of adequately trained technologists is at present greater than its need for an increase in the quality of training for the top few.

The second new measure, however, represents a defeat for traditional attitudes. The Ministry of Education has approved the establishment of a new body called the Associated Examining Board, which will examine pupils for the General Certificate of Education—in attempted parity of esteem with the eight existing examining boards. The new board will set its own papers in all subjects that are studied in any secondary school, but will give its papers in traditional subjects a special practical slant (presumably making its French commercial) and will also provide papers in a wide range of technical subjects such as laundrywork and lithography. This venture is partly due to political pressure to please parents whose children have failed to win places to grammar schools—many of the pupils taking the new board's examinations will be those who stay on at secondary modern schools to the age of 16. But the universities have no real cause for complaint, since they need not accept the new board's certificate as an entrance qualification unless they are satisfied with it. The board should also be able to bring some order into the early studies of those who are going on to higher technical education outside the universities; and the prospect of a certificate will give an incentive in a field where an incentive is urgently needed.

More Arms for Siam

THE American decision this week to give extra military assistance in order to increase the size of the Siamese armed forces raises some interesting problems. Not least is the paradoxical fact that it may weaken rather than strengthen the Siamese regime. At present that regime has attained a certain stability through the delicate balance of support on which its various members can call; some depend on personal loyalties in the army, others on other branches of the services, particularly the militarised police. If this balance is to be upset through the expansion of one branch at the expense of others, it will undoubtedly set in motion a new chain of complex political intrigue in Bangkok.

Another serious problem is how much to spend on improving the equipment of existing forces and how much on enlarging them. In general the Siamese forces exist primarily for maintaining internal order and their equipment is poor. If they are now to be trained to defend their frontiers against whatever dangers may threaten from Indo-China, the first priority is certainly quality rather than quantity. As matters stand, Siam could in effect be defended only with the aid of foreign troops, and it would be some time before any substantial improvement could be achieved in the equipment, training and fighting qualities of its own forces.



It was against this background that the Siamese ambassador in Washington, Mr Pote Sarasin, called on President Eisenhower at the beginning of this month, and spoke of doubling the country's armed forces. At present, they total about 72,000, with 55,000 in the army, 12,000 in the navy and 5,000 in the air force. The police, numbering some 40,000, is semi-military and also serves as a border patrol. The ambassador suggested a United States programme of military aid costing $400 million over a three-year period. That would be a steep rise from approximately $160 million worth of American military assistance in the past four years. It is not known exactly how far the Americans are now prepared to go. But this seems bound to depend both on the outcome at Geneva and on the development of a South-East Asia Treaty Organisation.

East-West Trade in Hand

MR THORNEYCROFT'S statement on Tuesday about his discussion with Mr Stassen, the aim of which was the revision of the strategic controls on exports to the Soviet bloc, revealed the difficulty he is still facing. But it is a snare of his own devising, for he should have known better than to have promised Parliament results within two to three months. Revision of the control lists, which necessitates bringing fifteen other nations round to an agreed point of view, cannot be done swiftly.

It is not surprising that the differences between the British and American points of view are wide, for the two countries approach the problem from opposite viewpoints. The Americans, understandably, begin by asking "what controls do we need to ensure security?," while the British, though not unmindful of the security aspect, tend to ask "what trade are we losing by these controls?" Both points of view are reasonable; but in the present circumstances, when no one can possibly say that there is no political danger, it would be highly unwise not to play for safety. Moreover, as *The Economist* has frequently argued, the outlook for any substantial and lasting increase in east-west trade is not promising. However, the argument advanced by Mr Thorneycroft "that a shorter list [of restrictions] combined with tighter enforcement is likely to prove more effective" is unexceptionable.

Why there should be any dispute on the question of timing is hard to imagine. Here Mr Stassen is obviously in the right. To let the releases out in dribs and drabs would not only be to forgo the undeniable political value of the West's initiative, but would also cause inevitable friction among the free nations, each country imagining that others were being specially favoured. And surely no one contemplates announcing major concessions to the Communist bloc before any settlement has been reached in the Far East? To throw away the bargaining power of trade would leave the West with no cards in its hand except those of naked force.

Vague Chinese Visitors

In the closing stages of the visit to Britain of the Chinese trade delegation, the tone of the mission was regrettably lowered. In yielding to the temptation to make propaganda points at his press conference last Tuesday, Mr Tsao Chung-shu, who led the delegation, jeopardised the success of an otherwise well-conceived and smoothly conducted tour. The five British host organisations were in no way to blame. Indeed, they might well take umbrage at the ungracious behaviour of their guests, who not only let their hosts down at an earlier conference arranged for them, but deliberately sought out their own particular friends, in spite of a previous assurance to the contrary.

Among Mr Tsao's tendentious remarks was a claim that Sino-British trade could "reach a volume of £80 to £100 million sterling in the coming year." As in the case of the Russian "offer" to the visiting British businessmen in Moscow last January, few people noticed that there was a proviso: "once trade relations between China and Britain are normalised." This, in Communist parlance, means a unilateral scrapping of the free world's security export controls. The Chinese "estimate" is, in fact, quite meaningless, even as a mere academic exercise in economic forecasting. As the questions at the press conference—albeit only obliquely answered—revealed, China's capacity to pay for larger imports depends on a highly problematical expansion of its narrow range of exports. It is not by coincidence that a study of China's foreign trade carrying a superficially authoritative air has been published this week by an organisation sympathetic to the Chinese point of view. It, too, arrives at an optimistic conclusion; but on closer study, the assumptions on which it is based are seen to be so nebulous that the estimate of potential trade cannot be taken seriously. The study assumes, for example, without a shadow of evidence, that such Chinese exports as rice, wheat, soya beans and tungsten are capable of rapid expansion; that Britain will get the bulk of all China's increased orders; and that China will be willing to abandon its planned policy of directing the greater portion of its foreign trade to other Communist countries. Moreover, the vital question of price is scarcely considered in the analysis.

Nevertheless, in spite of the false note on which Mr Tsao's tour ended, some good may yet emerge. At least it has been proved to the Chinese that British industry has the capacity to meet their requirements. It has, moreover, the desire to serve both old and new customers; but it demands a minimum of good behaviour and plain dealing.

Disposal of a Corpse

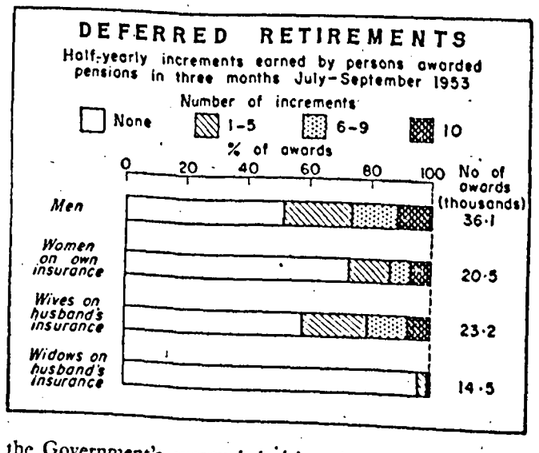
The Ministry of Materials is to be finally disbanded in mid-August; and, now that food rationing has ended, many people (including most Conservative backbenchers) see no reason why the Ministry of Food should not follow it. The Ministry of Food still performs a variety of functions, but most of them could conveniently be handled by other departments. The Board of Trade could look after commodity agreements, the remaining measure of scrutiny

over the import programme, and the remaining long-term contracts with overseas suppliers. Responsibility for welfare foods and for the Food and Drugs Acts could go to the Ministry of Health, and that for slaughterhouse legislation to the Ministry of Agriculture.

There remains however the crucial function of administering farm price guarantees in free market conditions. Excluding welfare payments, the subsidies now handled by the Ministry of Food total about £240 million a year. Their basic purpose is to support the prices received by British farmers, although there is a "consumer element" in some of the payments that cannot be precisely distinguished. Their administration is a highly complicated business; a fair balance has to be struck between the varying interests of producers, consumers, and the distributive trades. Moreover, the present arrangements are clearly experimental and adjustments will be necessary. Their high cost must somehow be considerably reduced, and their administration simplified. Nobody wants to keep an unnecessary Ministry in being; but these delicate tasks should not now be handed to the Minister of Agriculture who, both by habit and political necessity, can never be the consumers' champion and must always be the producers' friend.

Increasing One's Pension

At the end of last year 938,000 old-age pensions had to be supplemented by national assistance, to bring their recipients' total income up to subsistence level. The latest report of the Ministry of National Insurance (Cmd 9159, 4s. 6d.) accompanies this statistic with some information about the number of people who were able to supplement their pensions in another way—by deferring their retirement. This information may have some bearing on



the Government's eventual decision about how it will face both the plight of the old and the burden they will place on the national finances.

Under the original National Insurance Act, a pensioner could earn an increment of one shilling for every six months of work (and of contributions paid) beyond the minimum pensionable age, plus another shilling for his wife if she was over 60 years old. After five years of additional work, at

the age of 70 (for a man) and 65 (for a woman), people are given a retirement pension whether or not they continue working. Thus, the maximum number of increments that can be earned is ten, and in the middle of last year it became possible for the first time since the insurance scheme came into force in 1948 for people to have earned the full ten increments.

The diagram on page 184 shows how many increments were earned by people awarded pensions in the third quarter of 1953. About half the men and three-quarters of the insured women received no increment at all. On the other hand, 11 per cent of the men received the full ten. If allowance is made for the increase in the increment to 1s. 6d. in 1951, this would give them a pension of 44s. 6d., and a possible 31s. 6d. for their wives. This is well above the Assistance Board's rate of 35s. for a single person and 59s. for a married couple even if rent is taken into account. The average number of increments earned was six; at the higher rate of the 1951 Act, this would give a married couple 69s., which is just about equal to the Assistance Board's estimate of subsistence including rent. The great majority of the existing body of pensioners have not had the chance of increasing their pensions in this way. But the increments scheme may enable future pensioners to dispense with national assistance, provided the cost of living does not increase much more. At the same time it furthers the Government's policy of encouraging a longer working life.

Conservatives and Constituencies

Last weekend Lord Woolton, in his capacity as chairman of the Conservative Party, issued a sharp statement in defence of the redistribution of parliamentary seats that has been proposed by the Boundary Commissioners. The principal importance of this statement is that it seems to confirm the belief that the Conservatives will try to bring these proposals into effect, despite Labour's opposition to them. Among other points, Lord Woolton declared that the Conservatives have made a careful analysis of the commissioners' proposals for England and that this has shown how "utterly fantastic is the Labour Party's suggestion that the proposals will cost them twenty seats."

If anybody has suggested that the proposals would cause Labour to lose twenty seats to the Conservatives at the next general election—thus implying that they would increase the Conservatives' majority by forty—he has indeed been fantastic. But there is no evidence that the Labour Party has done so; on the contrary, its principal concern has been to claim that it is opposing the proposals for much more lofty reasons than those of party disadvantage. It is possible that some of the confusing public comment on this issue has been caused by widespread misquotation of a passage in *The Economist* of June 12th. In this, after deliberate and very necessary warnings about how tentative any estimates must be, it was suggested that

> If each individual elector voted in exactly the same way as he did in the general election of 1951, the proposed new boundaries should increase the Conservatives' majority by at least ten; they might increase it by twenty.

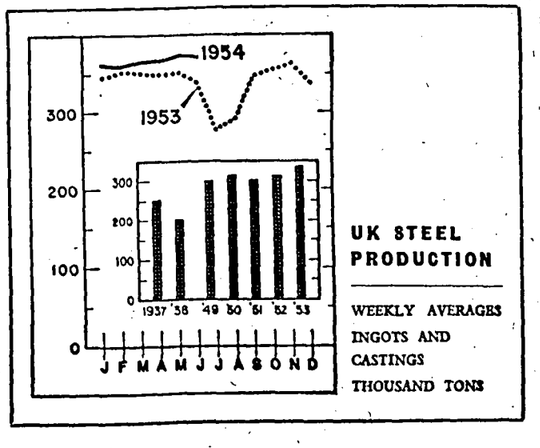
It still seems reasonable to suppose that this estimate should not be far wrong; although—as the commissioners' proposals for London and Lancashire, which were published in the middle of last month, did not hit Labour as hard as might have been expected—the lower figure may now be nearer the truth than the higher one. If the changes proposed in the boundaries of existing constituencies have the net effect of swinging three or four seats from Labour to the Conservatives—which seems a possible outcome—then they would increase the Tories' majority by six or eight; in addition, the proposals for totally abolishing some seats and creating new ones (which, so far, would lead to a recommended net increase of five constituencies) should bring some small additional advantage to the Tories.

However imprecise these calculations—and imprecision is inevitable—there can be no doubt that the advantage will be on the Tories' side. It is a pity that Lord Woolton's statement last week, instead of setting out to refute arguments that had never seriously been put forward, did not admit this. There is no allegation of impropriety in this controversy; but there is reason to question whether the inconveniences and anomalies caused by the present system of boundary revision do not outweigh its supposed democratic advantages.

Outburst at Jerusalem

General Bennike once told the Security Council that Jerusalem was a powder keg, and the unhappy events at the turn of the month showed that his metaphor was apt. During the night of June 30th, and again next day, the heaviest firing heard since 1949 was exchanged for several hours, and there were casualties on both sides of the line. Blame for starting trouble is less easy to apportion in Jerusalem than elsewhere on the Arab-Israel frontier; even an eye-witness can seldom be sure who fired first unless he actually sees what stops the bullet. Each side says that the other opened fire. The irrefutable facts are that UN cease-fire orders were given and ignored, either because they were wilfully unheard when blood was up, or because soldiers were in a position to flout them with impunity.

General Bennike has now made some reasonable recom-



mendations for better supervision of frontier guards by their superiors; for undertakings to refrain from retaliatory fire; for clear orders forbidding sniping; and for disciplinary action against offenders. These recommendations were declared unacceptable by Israel because they were not addressed to Jordan only. Such an attitude suggests that any strengthening of General Bennike's team by adding to its numbers and apparatus will have to be inaugurated without giving either side a chance to refuse it. Either the many nations who voted for a frontier in Palestine, or the three western powers who in 1950 declared that that frontier must not be forcibly changed, or both, must take the onus of strengthening the security arrangements. Both Israeli and Arab governments will, as a matter of course, violently protest at any change. But more supervision and quieter nights would be welcome to many a private citizen on both sides of the line.

Georgian Iconoclasts

It still seems true that no prophet is sure of honour in his own country, at least not posthumously. Until last year Soviet Georgia was known chiefly as the birthplace of "the greatest figure in world history," Joseph Vissarionovich Djugashvili, and Georgian books were full of the heroic youthful exploits of the man whom the world learnt to know as Stalin. But there is to be no more hero-worship in this Caucasian republic. At a recent meeting of Georgian writers a "false interpretation of history" was deplored. In many books "not the people, but rulers and lords stood at the centre and their figures were idealised."

The language is scarcely Aesopian. Few people will have any doubt which "cult" is now being attacked. As if to drive the point home, one speaker referred to the harmful idolatry which had reigned in the Georgian republic not so long ago. Too many lyrical books look like calendars of saints, he argued, and too much bad verse gets by because it is interspersed with compliments. Thus "Georgia's glorious son," who in Moscow is being transferred from mausoleum to pantheon, is also to be deprived of his native incense and icons.

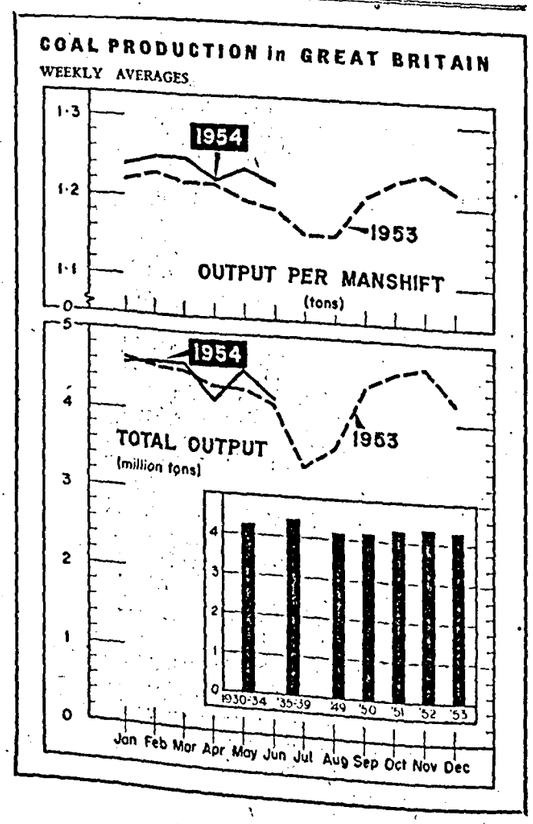
Clearing the Attic

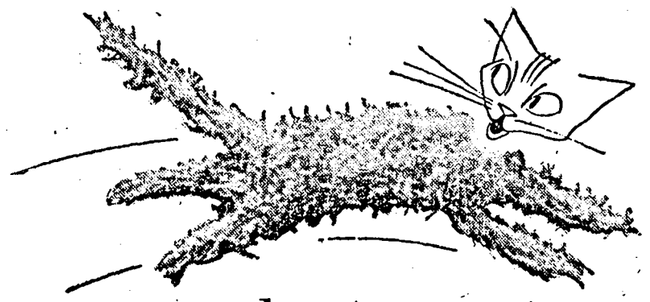
The report of the Grigg committee on departmental records* has given the public a fascinating glimpse into Whitehall's unsorted attic. The Public Record Office has documents dating back to before the Norman conquest, which stretch along 200,000 feet, or 40 miles, of shelves; and Government departments have on their hands 600,000 feet, or 120 miles, more, which are waiting to be moved to their permanent resting place. Every day the typewriters of Whitehall hammer out a new clutch of papers, to make the confusion worse confounded.

The two criteria that determine which documents should be preserved—administrative need and historical value—have become inextricably muddled. The mess of operative acts and agreements has made the process of selection as complicated a process as it could be, and has removed from those responsible for preservation of documents a proper oversight of them. In effect the Record Office has become the servant of the departments, which can select, store and remove documents at will. Usually, the actual work of destruction falls to juniors, whose work is unlikely to be checked. And departments are not the best bodies to judge their own efficiency. The committee says, for example, that "the department that seemed best satisfied . . . has in its possession unsorted papers going back to the eighteenth century."

The committee calls for an entirely new system of selection. It says that after five years the departments should themselves prune the documents in accordance with their departmental needs; after twenty-five years the Record Office and specially designated record officers within the departments should go through the remainder with an eye almost exclusively on their historical worth. The authority of the Record Office should be enhanced and it should be placed under a responsible minister; indignant historians can then have questions addressed to him and he can chase after departmental offenders more readily than can the Master of the Rolls. The report also recommends that all papers (including Cabinet papers) should be available to the public after a lapse of fifty years. Those who write the history of the mid-twentieth century will have a surfeit of documents to study; Whitehall owes it to them not to burn too much wheat, while so much chaff is plainly being preserved.

* Cmd. 9163, 3s.





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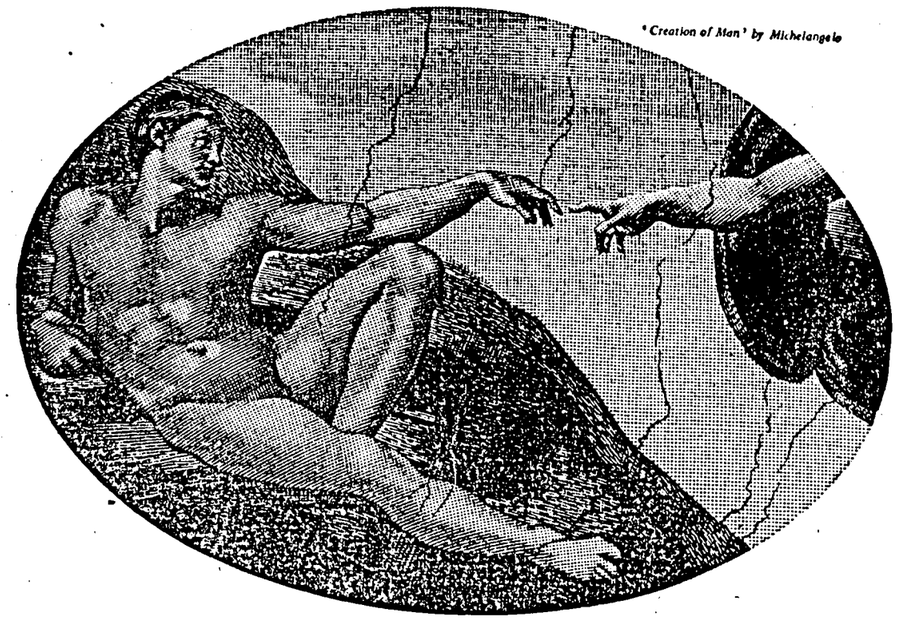
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Muzzle for the Watchdog?

THE Select Committee that the Government proposes should be set up by the House of Commons to report periodically upon the affairs of the nationalised industries will be a considerably less powerful body than that proposed about a year ago by another Select Committee. Its purpose will be to examine the reports and accounts of the state-owned industries and obtain further information about their "current" policy and practice, not their "general" policy as the Select Committee suggested. It will not be allowed to investigate matters for which the Minister is answerable to the House already, matters settled by collective bargaining or established formal machinery, or day to day administration. It will not have power to appoint sub-committees; as for the proposed power to "send for persons, papers or records," the Government feel that the committee should normally seek its information from the industry's chairman or a representative appointed by him. Lastly, it will not have on its staff "an officer of the status of the Comptroller and Auditor General," though it will have liaison officers from the Ministries concerned.

This watchdog, therefore, will have a bark but no bite. Most of the limitations on its powers are sensible enough: the proposal for a powerful new "efficiency auditor" in particular, was probably ill-conceived. It is not easy to feel that this Select Committee will be any lasting solution to the problem of public accountability in these industries. On the other hand, some of the industries might reply that they are at present not exactly starved of scrutiny. Internal committees are examining the organisation of the National Coal Board and the British Electricity Board; London Transport is being investigated by an independent committee; and last week the Minister of Fuel and Power announced that he also had appointed one, with the task of inquiring into the organisation and efficiency of the electricity supply industry in England and Wales. This seems to be the first of the periodical "stock-takings" that were originally proposed by Mr Herbert Morrison; though possibly the sweeping developments that may change the technology of power generation in the next twenty years might in any case require some forward thinking about possible strains on the existing organisation.

Cuckoo in the Nest

LAST week's annual conference of the National Union of Mineworkers, which hit the headlines because it rejected Mr Bevan and Bevanism by such large majorities, carried the seeds of a cautionary tale. The conference passed a resolution which "considered that the time was opportune for holding conferences and discussion on the possibility of establishing trade union unity." This resolution sounded so innocuous that the mineworkers' robust and sensible president, Mr Ernest Jones, was apparently at first deceived about its real nature. It was only after they had voted for it that some members realised that they had committed their union to considering reaffiliation with the communist World Federation of Trade Unions. The hidden hand behind the resolution was that of the British Communist Party.

In the latest issue of its periodical, *World Review*, the Communist Party has obligingly disclosed where the hidden hand is striking. It lists the unions that have passed resolutions taken out of the communist programme in the first six months of this year. According to this source, 14 unions, headed by the Amalgamated Engineering Union, and with a total membership of just under two million, had by June 20th gone on record in favour of "international trade union unity"; 15 unions had adopted resolutions opposing German rearmament; and over four million trade unionists (from more understandable motives) had asked for increased pay. In addition, 18 unions had called for the banning of the hydrogen bomb; 12 unions for the abolition or reduction of the call-up; 9 unions for a reduction in armaments or international disarmament; 15 unions were "for" East-West trade; and 11 unions were "against" colonial oppression. The equivalent table that it published last year, says *World Review*, "was of extreme practical value to all those actively engaged in the trade union movement." This year, it should also be of value to any members who like to know whose tools they sometimes are.

Troublesome Factory Act

We cannot affirm—as we see strikes amongst masons, carpenters, and seamen—that the Factory Act is the cause of the strikes of the factory labourers. We believe, however, that it promotes and exasperates them. It proceeds on the principle that labour can be regulated by interference extraneous to the master and men, and encourages such interference. The agitators only wished to do that to a greater extent by their own means they had before obtained by means of the Factory Act—a control over the hours of working, and, in some degree, over the amount of wages. They failed from want of power, not from acting on a principle which the framers and extenders of Factory Acts can pronounce erroneous. . . . It is erroneous to suppose that . . . knowledge in the workmen will prevent strikes. Something more effectual than mere teaching is needed to make such injurious proceedings cease here as they are unknown in America; and we should suppose that one of the most effectual measures would be to leave factories to be regulated, like the growing of corn and the supplying of the people with food and raiment, to the full and fair operation of the principles which regulate capital and wages, and by abolishing Factory Acts and dismissing Factory Inspectors. The strikes gave the Inspectors an opportunity of showing the utility of their offices. They have done nothing useful. There is nothing said of their having exercised the smallest beneficial influence over either masters or men. They did not appear that we recollect at all on the scene. . . . The meagreness of the present report of the Inspectors, when such an interesting event has occurred in their especial department, and their satisfaction with the well-working of the Act, because a slackness of trade has permitted its provisions to be carried into effect, is, for us, a confirmation of the opinion we have long entertained, that the Act, and all which belongs to it, is not of the least benefit either to the factories or to society at large. It only causes trouble, cost, restraint, and punishment.

The Economist

July 15, 1854

Letters to the Editor

The Cost of Quiet

SIR—The article in your issue of July 3rd, dealing with the noise of jet aircraft was entitled "The Cost of Quiet." If a similar article had been written by a member of the agricultural community or a householder it would have been entitled "The Cost of Noise." The full disturbance created by this nuisance is not, I think, generally appreciated. Apart from the nervous disturbance, almost approaching physical pain, which is caused on certain occasions, there is also the depreciation of property values, the interference with work due to difficulties of communication, and some degree of danger in the use of agricultural machines due to the occasional impossibility of knowing whether the machine is running or not.

The question which the politicians and the civil servants, duly influenced by public opinion, have to solve is on whose shoulders these liabilities should lie. The Earl of Selkirk said in the House of Lords on June 29th that "there is a conflict here between individual right and national interest, and we cannot pretend there is not." In consequence of the new Order in Council the owners of properties adjacent to manufacturing airfields are paying not only their due amount of the cost of defence through taxation but are also suffering a serious capital levy, together with the forfeiture of the peaceful enjoyment of their property with no legal right of redress.

Your proposal that the public should be left with the right to sue for damages is, as far as it goes, an excellent one, but it has a disadvantage inasmuch as not many people have the means to take the risk of suing wealthy aircraft companies.

I have good reason for believing that by the building of test houses 95 per cent silence can be obtained. This is admittedly an expensive operation, but it is more than probable that the total sum involved would be less than the aggregate losses in value of property caused by the noise.

So far as the incidence of the cost is concerned, apparatus installed by an aircraft manufacturing company with the aim of reducing noise would doubtless qualify for the higher depreciation allowance sanctioned for precision equipment. On this assumption, and under existing tax laws, £100,000 spent on such equipment would reduce the company's tax bill by more than £40,000 over a five year period. It could therefore spend £100,000 every five years in this way at an effective net charge to itself of less than £12,000 a year. The country as a whole would meet the remaining cost through the reduction in its tax revenue.

It may set this figure in perspective to observe that over the last five years the undistributed net profits of the three leading British aircraft manufacturing companies have averaged nearly one and a half million pounds each per year.—Yours faithfully, F. H. DU BOULAY
Cranleigh, Surrey

Warnings to France

SIR—Your enthusiasm for EDC should not have led you astray on the facts. It was not Dr Adenauer who pointed out in a broadcast that a European policy without or against France was impossible. It was Herr Ollenhauer.—Yours faithfully, ROBERT BOOTHBY
House of Commons

[Sir Robert Boothby is wrong. The statement was made by Dr Adenauer and echoed by Herr Ollenhauer. Here at least is a point on which they seem to agree with each other, as well as with German military experts.—EDITOR.]

Spotlight on Defeat

SIR—I greatly appreciated the wit of the reviewer of my book "Assignment to Catastrophe" in your issue of July 3rd. I plead guilty to two slips; but when your reviewer says that I must be the only man who ever heard Sir Winston Churchill say that we were capable of beating the Germans single-handed, it is he who is mistaken. Not only did he say so to me but he said so often in public. What other meaning can be placed on his declaration of June 17, 1940, when we were fighting alone, "we shall fight on unconquerable until the curse of Hitler is lifted from the brow of mankind. We are sure that in the end all will come right." And nothing can have been more emphatic than his statement to the House of Commons on June 18th, "but I can assure them that our professional advisers of the three services unitedly advise that we should carry on the war and that there are good and reasonable hopes of final victory." We were certainly single-handed then. And on February 9, 1941, "one of our difficulties is to convince some of those neutral countries in Europe that we are going to win. . . . Give us the tools and we will finish the job."

I was both flattered and amused that, having described me as highly intelligent, your reviewer should quote my own comparison of intelligence "to over-bright headlights." I feel I should have said something about tail lights also, which enable the backseat driver to comment brightly on traffic that has been overtaken and passed.—Yours faithfully, E. L. SPEARS
London, S.W.1

[Sir Winston Churchill often said that British would fight to the last and that he had confidence in ultimate victory—would any statesman tell his country that it would fight on until it was defeated? But this is not at all the same as saying that Britain was capable of beating the Germans single-handed. In the speech of June 18th, from which Sir Edward quotes, Sir Winston also said that already Britain could count on four dominions in the fight, and he always counted on America's coming in in the end.—EDITOR.]

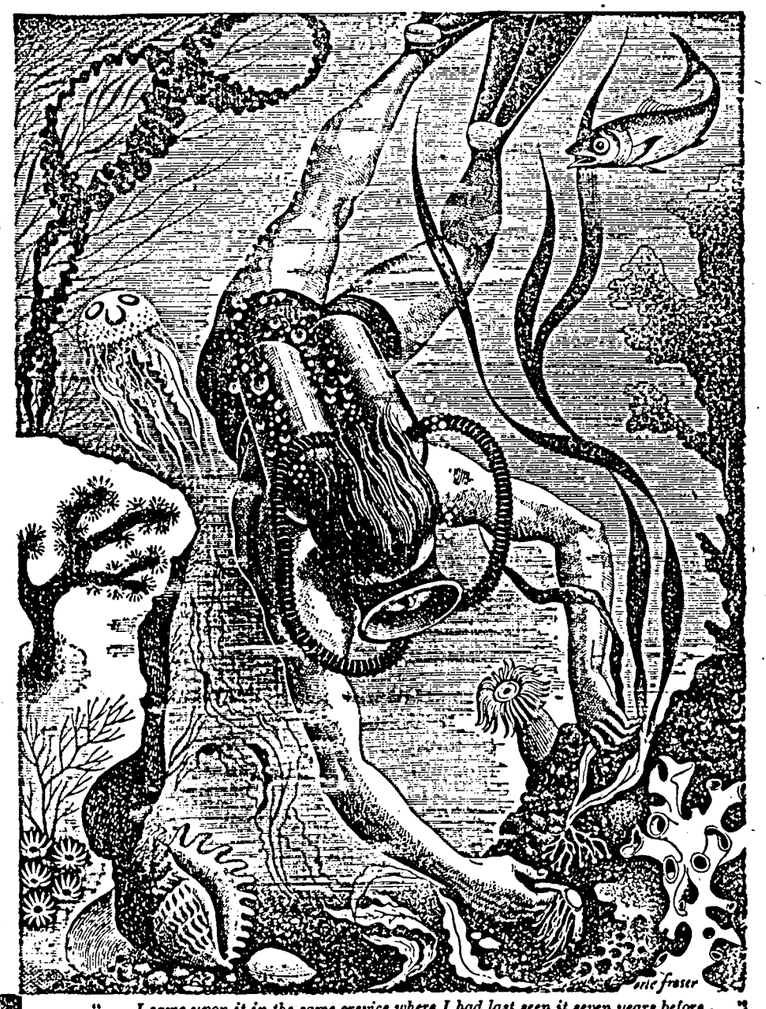
The Measure of Private Saving

SIR—You rightly point out the significant increase in private saving which has occurred over the past two and a half years; and you argue that this trend has been as much the result as the cause of the disappearance of inflation. "The resuscitation of personal thrift is, in the last analysis, a reflection of renewed confidence in the value of money." A closer analysis of the national income statistics, however, does not seem to give unequivocal support for your conclusion.

Consider first the (realised) ratio of personal saving to disposable money income over the years 1948 to 1953. In the first three years this ratio tended to be around one and a half per cent; in 1951 it doubled to about three per cent and jumped up to nearly seven per cent in 1952, since when it seems to have remained at this level. The interesting thing is that whereas in 1949 and 1950 retail prices were reasonably stable, being in each of these years not more than three or four per cent higher than in the previous one, in 1951 and the first half of 1952 they were rising very rapidly, becoming stable again in 1953. Thus it appears that the upward shift in the "propensity to save" occurred when prices were rising and not when they were stable, and at a time when real incomes (i.e., the increase in money incomes deflated by retail prices were constant rather than increasing.

Part of the explanation may lie in the development of personal incomes over the period. Disposable money income rose considerably during 1951 and 1952 as a result of widespread wage increases; and it might be that, despite the fact that money incomes barely kept pace with retail prices, people were "misled" by the increase and did not rapidly adjust their expenditure accordingly. The slump in some consumer goods industries at the beginning of 1952 is clearly relevant here. Of course it still has to be explained why consumers did not eventually (say in 1953) adjust their expenditure to their incomes to restore the earlier relationship. The answer may lie in the fact that as a consequence of tax reductions in the 1953 budget they were able to increase real consumption considerably without reducing the proportion of their income saved. Another part of the explanation may possibly be found in a change in the distribution of aggregate money income.—Yours faithfully,
Cardiff G. W. MAYNARD

7 years under the sea*



IN 1939 an under-water fisherman lost his Rolex Oyster in deep water off the coast of Greece. He could see it clearly in a crevice between two rocks, but could not reach it.

In 1946 he returned to Greece and took up under-water fishing again. Being lent a self-contained breathing apparatus, he thought of his long-lost watch. With the new equipment he was able to swim down to the sea floor. A short search of the weeds covering the rocks disclosed the watch in the same crevice where he had last seen it 7 years before. After a little attention, it kept as perfect time as it had always done.

What a tribute this story is to the superb accuracy of the Rolex movement! And how well it demonstrates the perfect protection given to this movement by the waterproof Oyster case.

*This is a true story taken from a letter written to Rolex by Mr. D. F. Pawson. The original letter may be inspected at the offices of the Rolex Watch Company, 18, rue du Marché, Geneva, Switzerland.

"... I came upon it in the same crevice where I had last seen it seven years before ..."



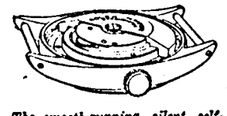
THE ROLEX OYSTER PERPETUAL, *a meticulously accurate watch whose movement is protected by the waterproof Oyster case and self-winding by the silent Perpetual "rotor" mechanism. By keeping the watch fully wound it ensures an even tension on the mainspring and gives the movement a constant accuracy rarely obtainable in a hand-wound watch.*

* * *

THE ROLEX OYSTER PERPETUAL DATEJUST, *the highest achievement in watchmaking. The Datejust is absolutely waterproof in its Oyster case and self-wound by the unique Perpetual "rotor" mechanism. And it tells the date, clearly and automatically, in a neat window cut in the dial.*



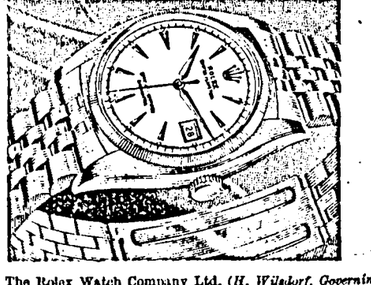
The Rolex Red Seal signifies that the watch to which it is attached has been awarded an Official Timing Certificate by a Swiss Government Testing Station, and has earned the proud title of Chronometer.



The smooth-running, silent, self-winding "rotor" keeps the Rolex Oyster Perpetual fully wound automatically, if the watch is worn for as little as 6-8 hours a day. This constantly even tension on the mainspring makes for still greater accuracy.

THE ANATOMY OF TIME

A fascinating, illustrated book, recording man's deep preoccupation with Time measurement, from the earliest recorded device to the split-second accuracy of the modern watch. For your free copy, write to the Rolex Watch Co. Ltd., on personal or business stationery.



ROLEX

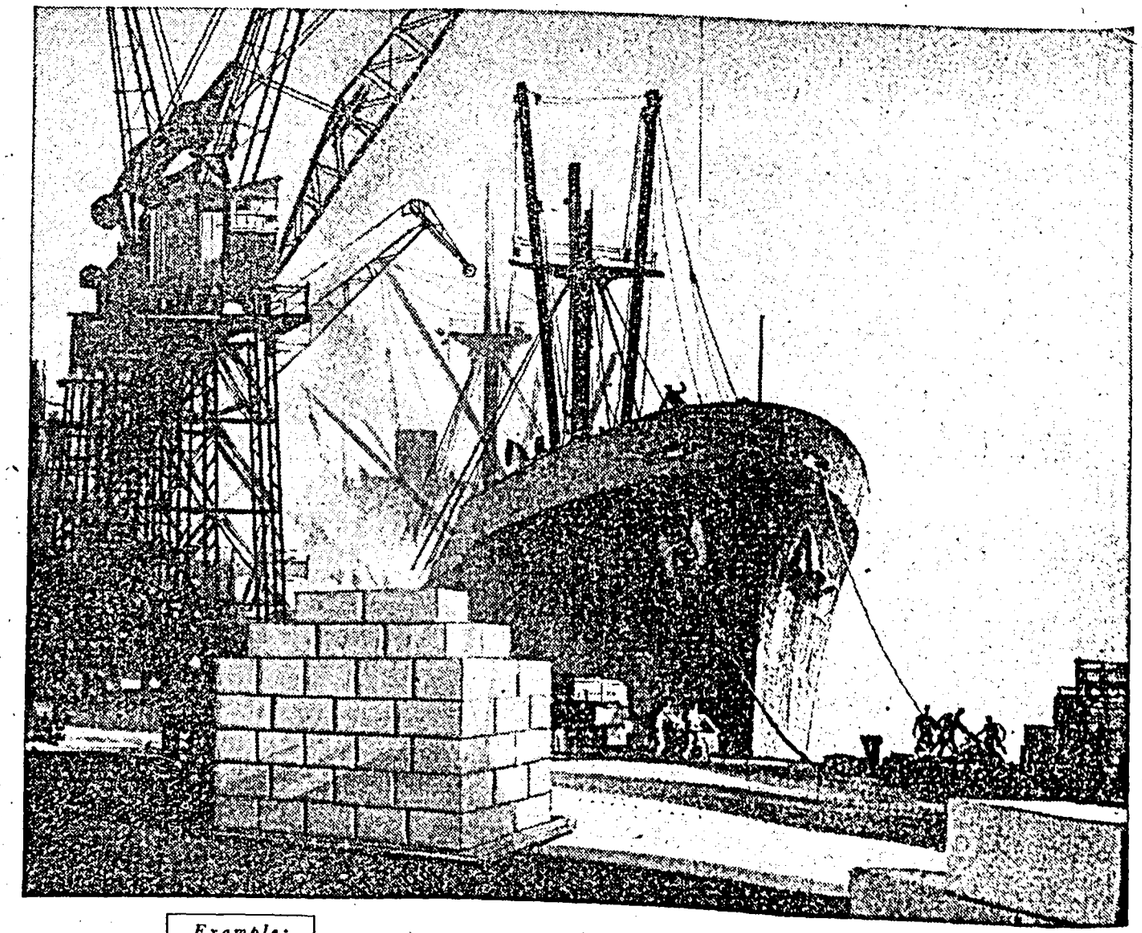
A landmark in the history of Time measurement

ROLEX Chronometer—
Official Timepiece of Panagra Airlines

The Rolex Watch Company Ltd. (*H. Wilsdorf, Governing Director*), Geneva, Switzerland, and 1 Green Street, Mayfair, London, W.1, and The American Rolex Watch Corporation, 580 Fifth Avenue, New York

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Books & Publications

The Economics of Migration

MIGRATION AND ECONOMIC GROWTH: *A Study of Great Britain and the Atlantic Economy.*
By Brinley Thomas.
Cambridge University Press. 387 pages. 42s.

IN the period between 1815 and the 1920s some fifty to sixty million people migrated from Europe. One might reasonably suppose that we now knew all about the causes and the consequences of this extraordinary episode. But it is clear from Professor Thomas's book that several of the central questions are still open. Why did the emigrants leave? To what extent were they expelled from Europe by a series of Malthusian crises? To what extent were they drawn out by a series of development booms in the United States?

Mr Thomas identifies four great waves of immigration from Europe into the United States between the 1840s and 1914, and he shows the ways in which each of these stimulated investment in American railways and building, and accelerated the introduction of automatic machines capable of employing large amounts of unskilled labour. In Europe, on the other hand, there was a falling off of investment during these periods of intensified migration. Thus there were fluctuations in economic activity with a span of roughly twenty years in both Europe and the United States, but they tended to be compensating. This built-in stabiliser was, Mr Thomas argues, one of the basic conditions of international equilibrium before 1914. He analyses the reasons why such shifts of labour have dwindled, and has particularly interesting things to say about the effect of changes in the American social structure on the willingness of America to receive immigrants.

The idea that the fluctuations in domestic investment in England tended to offset those in the regions of recent settlement is, of course, not new, though it has not previously been worked out in such detail nor applied to so wide an area. Where Mr Thomas departs most widely from previous interpretations is in his discussion of the causes of the great bursts of emigration. It has usually been thought that these bursts were mainly determined by an increase in American economic activity, that is, by the pull rather than the push. But Mr Thomas suggests that they may have been very considerably influenced by the cycle of births in Europe, that is, by periodic increases in population pressure. Malthusian crises and expulsions of population assume in his pages a new role, and the investment booms in America become in some measure a consequence rather than a prime cause of the great waves of emigration.

Mr Thomas's conclusions in part derive from a very wide range of statistics and are in part illustrated by them. A large part of the work is devoted to correlation analysis of the relevant data, which are conveniently collected in an extremely comprehensive appendix. To this analysis Mr Thomas has brought considerable ingenuity and some credulity. When applied to a period of imperfect statistics like the century before 1914 this sort of analysis is a very slippery tool. It is useful in suggesting possible connections between events, but by itself it is not enough to convince the reader that the connections suggested were the important ones; we need to be shown a mechanism which can plausibly be supposed to have had the suggested effects. The trouble about this book is that Mr Thomas does not go behind and beyond his correlations. The book has an abundance of statistics and a number of stimulating if sometimes rather imprecise generalisations; what it lacks is an adequate middle-ground of careful and detailed explanation, linking the facts with the ideas. When the reader attempts to fill the gap he may run into difficulties. For instance, while it is clear from the figures that Mr Thomas gives that the fluctuations in emigration are related to fluctuations in the birth-rate, it is not at all self-evident that the birth-rate is the causal factor. Emigration affects the birth-rate and, since most migrants tended to be young, may have affected it severely.

This book is weakest just where works by economists are normally strong, in rigour of logic and lucidity of presentation. It is strongest where historical works by economists are sometimes weak: it deals with problems of major importance; its approach is fresh; and it ranges widely both in posing penetrating questions and suggesting illuminating answers. It is therefore a book well worth reading; it has the merits as well as some of the defects of a pioneer.

Pledge Redeemed

THE TRANSFER OF POWER IN INDIA.
By E. W. R. Lumby.
Allen and Unwin. 274 pages. 18s.

IF all Britons are glad that India and Pakistan are independent, a minority is critical of the manner in which independence was granted. These urge that the holocaust in the Punjab could have been avoided if Lord Mountbatten had insisted that British administrators should remain in charge for a year until the new governments of East and West Punjab could be organised. A few argue that the corruption and inefficiency that has to some extent admittedly increased since August 15, 1947, demonstrate that Britain should have continued its educative task for another fifteen years or so before handing over. Such criticisms are unrealistic to anyone who lived through the mounting tension of 1945-47. Mr Lumby's quietly pitched analysis, objective and often shrewd in comment, brings out what was plain to every British official on the spot: the administrative machine was crumbling in their hands. No British civil servants had been recruited during the war, while the civil, police, and military services had vastly increased in numbers and were therefore largely Indianised. Repeated British pledges of independence as soon as the war was won had created a state of mind in which tired British officials were expecting to hand over and in which Indian officials tended—some unconsciously, others consciously—to disregard British authority.

It might have been possible to reverse the set of the machine for another fifteen years of British rule if the British Government had been prepared to reason away its pledges; to dismiss Indian, and recruit British, officials in thousands; to put down a rebellion beside which that of 1857 would have been child's play; and thereafter to maintain an army of occupation of some 50,000 British troops. But it is a reasonable certainty that the British electorate would have thrown out any party that offered a programme so out of keeping with postwar sentiments. The reality was that the British were in the impossible position of being responsible *de jure* for law and order without having the power *de facto* to enforce it. The only solution was to hand over responsibility as quickly as possible to those who were ready to shoulder it. In the venomous Congress-Muslim League atmosphere, any attempt to retain control over the disputed Punjab would have aroused the worst suspicions of British sincerity, while the actual experience of the universally abused Punjab Boundary Force shows that the masses felt that their safety lay in seeking protection not from the British, who were obviously on their way out, but from the Hindu or Muslim authorities, to whom the future belonged.

Mr Lumby suggests that the reaction of Asian peoples to Western rule passes through three stages: a nationalist renaissance among the intelligentsia; followed, as Western industrialism and doctrines of social democracy spread, by a demand for radical changes in the economic and social structures that foreign rulers are unable to carry out; and, thirdly, if the demands of nationalism and reform are unsatisfied, by the emergence of Communism. He argues that Britain's timely transfer of

power has given a vast sub-continent the chance to solve its problems democratically. Mr Lumby has written an admirable study that is likely to remain the standard work on the subject until the official archives are opened.

The Town Hall's Problems

THE DEVELOPMENT OF LOCAL GOVERNMENT.
By W. A. Robson. (Revised edition.)
Allen and Unwin. 404 pages. 25s.

THIS study of certain aspects of local government, which was first published in 1931, has been altered to take account of postwar developments. Professor Robson deals at length with the structural problems of local government and more briefly with its cultural possibilities, the evolution of the local government service, and the sinister propensities of the district auditor.

A prologue, "Local Government in Crisis," carries the history of local government up to the current year. Its title indicates the author's attitude to recent events. He deplores the removal by the Labour Government of many functions from local authorities, which is in contrast with that party's earlier belief in expanding the scope of local government. There were several causes for these transfers. Mr Robson emphasises particularly the structural inadequacies of the present local government system, but also important was the passion among Labour supporters for equalising (as far as possible) the local standards and costs of the main services. This desire leads naturally to either central management or stringent central control. The administrative cost and waste of this policy and its destructive effect on local democracy have been largely overlooked—and seemingly by the Conservatives as well as Labour. The author might have treated this trend more fully.

Mr Robson gives a competent account of the sorry history of the attempts to reform local governments since 1945. He includes a just castigation of Mr Bevan, who as Minister of Health would neither admit his own responsibility in the matter (until he was about to leave office) nor allow the Local Government Boundary Commission to function effectively. Mr Robson ends with some gloomy reflections on the political prospects for obtaining reform. Since his book went to press, however, Mr Macmillan has made the outlook a little brighter.

Prisoner of the Russians

I SURVIVED.
By Godfrey Lias.
Evans. 224 pages. 12s. 6d.

THIS book relates the experiences in the Soviet Union of a young Austrian prisoner-of-war, who returned to his country at the end of 1952 after ten years of captivity and attempts to escape from it. Pepi, as he is called, was taken prisoner at Stalingrad in January, 1943. He escaped from his prison camp at Christmas, 1944, and in order to move west with the advancing Russian columns he and a friend took the extraordinary step of joining a horse transport unit of the Red Army. They were able to do this as they both spoke good enough Ukrainian and Russian to pose as Ukrainians; they obtained the necessary personal documents from a Jewish black marketeer. In this way they reached Berlin where they absconded from the Soviet Army in July, 1945.

Here the story would have ended if a pure mischance had not led to their arrest by the Russians as they made their way across the Soviet zone. Pepi spent the next seven years in forced labour camps in the Soviet Union. He was finally repatriated as a result of an amnesty granted at the request of the Austrian President.

Harrowing though many of Pepi's experiences were, Mr Lias has told his story in a light and very readable way. The book gives many interesting glimpses of the seamy side of life in the Soviet Union, though it must be said that the occasional generalisations about Soviet politics are not convincing.

The most enlightening as well as the most lurid passages in the book describe Pepi's experiences after he had received a sentence of 65 years' penal labour for alleged felony. In the penal camp to which he was then sent, he entered a grim world of thieves and cut-throats, the habits and morals of which make a mockery of any communist claim to have organised a society less disposed to encourage crime than the societies of the west. Here he came in touch with members of different semi-secret underworld gangs, who seem to have been at odds both with the Soviet authority and with each other. Pepi tells us in particular of the Black Cats, a kind of Robin Hood organisation which often distributed the proceeds of their robberies to the poor. But, understandably enough, Pepi is able to give only enough details of these gangs to whet the reader's appetite.

If it is read as a story of escape and endurance, one's interest in this book does not flag. But as a picture of even one aspect of the Soviet Union it is inevitably disappointing.

The Long View

ECONOMIC CHANGE.
By Simon Kuznets.
Heinemann. 341 pages. 15s.

OUTSIDE the field of *belles lettres*, the word "essay" has travelled a very long way from its primary meaning. An essay may be virtually a chapter in a projected book, a reprinted lecture or broadcast, a dehydrated volume—almost anything, indeed, short enough to be read at a sitting or too short to be bound between separate covers. Whatever its form, it is far likelier to be a considered and completed statement than the tentative exploration, the probing venture, that its name implies.

Dr Kuznets, with his formidable reputation for handling and analysing masses of intractable statistical matter, is one of the last writers from whom, at first blush, one would expect a volume of essays in the real sense; and indeed the most substantial item in this book—the "Relation between Capital Goods and Finished Products in the Business Cycle," originally printed in the collection of "Economic Essays in Honour of Wesley Clair Mitchell" in 1934, has nothing exploratory about it. It is a finished judgment, and a masterly one, on someone else's exploration. Elsewhere, however, and particularly in the later papers reflecting his shift of interest "from business cycles to national income to economic growth," Dr Kuznets appears as a true essayist, as much suggestive as informative, asking more questions than he answers, opening up vistas, ventilating uncertainties. In "National Income and Industrial Structures," "National Income and Economic Welfare," and "International Income Levels," he attempts to put the statistician's quantitative comparisons in a true social perspective, making a proper and realistic allowance for the differences between a fully developed market economy and one in which the bulk of economic activity remains outside the market, and between those elements of the supposedly "net" national product that truly enter into the standard of living and those (such as the transport of workers) that should properly be regarded as costs incurred in maintaining that standard.

These three essays bubble with enough ideas and suggestive possibilities to occupy several practical research workers for a lifetime. "Retardation of Industrial Growth," an earlier paper, sets out and partially verifies a hypothesis concerning the time-sequences of development, which the reader is left to link up for himself with the article on "Schumpeter's Business Cycles" or, for that matter, with the work of Dr W. W. Rostow. The last two essays, dealing with more general long-term trends and notably with the international rôle of the United States, both end with a plea for a moral philosophy. "Economic Change" has the more power to stimulate because its tentative generalisations, its effervescence of ideas, are the work of an author who knows so thoroughly the long stony road from hypothesis to proof.

Northern University

THE UNIVERSITY OF LEEDS: *The First Half-Century.*
By A. N. Shimmin.
Cambridge University Press. 245 pages. 21s.

THE University of Leeds had its origin in a small social organisation, founded in 1849, known as the Conversation Club, which in the early 'seventies, arising out of a proposal for a Leeds educational council, was instrumental in the formation of the Yorkshire Board of Education. To this board came a suggestion made by James Kitson (later Lord Airedale), a Leeds engineer, for a central college for the West Riding of Yorkshire whose purpose should be the technical training of young manufacturers and science teachers. This led to the formulation in 1872 of a scheme for a college of science, to be known as the Yorkshire College of Science, with four endowed chairs and a curriculum comprising mathematics, engineering, chemistry, mining, geology, metallurgy and experimental philosophy.

Despite a relatively small response to a public appeal for funds the college was duly opened in 1874 for the reception of students of fifteen years of age and upwards. On the opening day only one student was registered and 24 was the total full-time and part-time for the first session, rising to 80 full-time the following year. A notable accession of strength came in 1884 by amalgamation with the School of Medicine. This, founded in 1831, had won a high reputation in its field and later proved a great asset to the new university.

Out of these small beginnings has developed the great university of today, with its academic staff of over 600 and over 3,000 full-time students, and with an annual income that has grown from £3,000 in 1874-75 to £34,000 in 1903-4 and in 1952-53 to nearly £1,200,000. The buildings have been greatly extended and now include the great Brotherton Library and Parkinson Hall, while plans for the future visualise a further expansion which would create a great university quarter penetrating to the very heart of the city.

These are but items of the story—fascinating to all who have shared in its struggles, triumphs and defeats—which has been set out by Professor Shimmin as a labour of love with masterly skill and precision in the sifting and interpretation of the records. His book will be welcomed by all who know Leeds, and, despite its inevitably heavy weighting with local detail, may also be commended to all interested in the development of higher education.

Shorter Notices

INTRODUCTION A L'ANALYSE MACRO-ECONOMIQUE: 1: Les Origines.
By Jean-Claude Antoine.
Presses Universitaires de France. 290 pages, 1,000 francs.

This book, the first volume of a massive survey of macro-economic theory, deals with the history of its development from the first long-neglected origins among the seventeenth-century mercantilists down to the "General Theory." It is, in a sense, a by-product of World War II, of the enforced intellectual isolation of France which cut off French economic thought, over a crucial five-year period, from the revolutionary developments initiated by Keynes. Discovering, when the frontiers were reopened, a whole new science of economics, the author set out to explore, to bring himself up to date, and—after what must have been a really superhuman effort of digestion—to embody what he had learned in a comprehensive survey, which should spare other French-speaking students a similarly exhausting experience, and should, at the same time, link the new economics with those elements in the old that contain the seeds of its development. The result is a valuable work of reference, having no equally all-embracing counterpart in any language; but it is a work which, when one begins to consider its audience, appears to fall between two stools. It is, once the first few chapters are passed, exceedingly stiff, making free use of advanced mathematics and deploying the terminologies of successive schools with confident virtuosity, but very little mutual translation. Those well equipped to read it are likely to be professionals themselves and to need it comparatively little; those to whom it could be most useful are likely to be just plain stumped. Its ideal reader is probably an honours man early in his final year. For the limited class it deserves to rank as a standard.

★

THE UNITED STATES IN WORLD AFFAIRS 1952.
By Richard P. Stebbins.
New York: *Council of Foreign Relations;* London: *Royal Institute of International Affairs.* 492 pages. 36s.

The theme of this latest volume of the annual survey of "The United States in World Affairs," competently and carefully prepared by Mr Stebbins with the research staff of the Council on Foreign Relations, is the contrast between the Soviet strategy of world conquest and the American or Western strategy of anti-communist defence. To Mr Stebbins the salient characteristic of international affairs in the year 1952 was the continued tension and deadlock between the hostile forces of East and West—in Germany, in Western Europe and in the Asian-Arab world—and the growing fear of total war as the armaments available to both sides increased in quantity and destructive power.

Mr Stebbins is particularly concerned to show how the interests of the West suffered throughout 1952 as a result of the tendency of American policy makers to concentrate attention on the purely military threat from the USSR, thus neglecting the equally vital non-military aspects of Soviet strategy—the political, economic, diplomatic and psychological measures aimed at exploiting the latent weaknesses of the West. The most important question emerging from this study of the East-West conflict in 1952 is how, without resort to general war and without a genuine change in Soviet policy, an international settlement is to be obtained. It should provide a vital theme for the next volume of the survey.

Books Received

THE EMPIRE AND COMMONWEALTH YEAR BOOK, 1953-54.
Edited by R. S. Russell. *Newman Neame.* 453 pages. 45s.

The second edition of this year book presents a great deal of information about the Commonwealth in a convenient form. For each country it is possible to look up such facts and figures as its constitution, population, religions, education, budget, trade and communications. Figures are mainly for 1951 or 1952. About a quarter of the book is given over to a useful survey of the raw materials of the Commonwealth, showing the Commonwealth share in world production of each commodity and balance of trade in it.

MANAGEMENT OF AGRICULTURE AND FOOD IN THE GERMAN-OCCUPIED AND OTHER AREAS OF FORTRESS EUROPE: *A Study in Military Government.*
By Karl Brandt, in collaboration with Otto Schiller and Franz Ahlgrimm. *Stanford University Press* (London: *Geoffrey Cumberlege*). 741 pages. 80s.

This vast survey describes in detail the agricultural and economic implications of the German conquest of Europe. The subject matter is discussed under the headings of the different countries and areas under German occupation.

THE FRUIT ANNUAL, 1953-54: *Year-Book and Directory of the World's Fruit Trade.*
Edited by H. F. Tysser. *British-Continental Trade Press.* 532 pages. £1.

YEAR BOOK OF LABOUR STATISTICS, 1953.
International Labour Office, Geneva. 375 pages. £1 10s. paperbound. £1 16s. clothbound.

AN INVESTIGATION INTO THE PROBLEM OF ASSESSMENT SCALES.
Institute of Municipal Treasurers and Accountants.
98 pages. 20s.

BRITANNICA BOOK OF THE YEAR, 1954.
Edited by John Armitage.
Encyclopædia Britannica. 678 pages. 365 illustrations. 3 guineas.

DIGEST OF STATISTICS, *Northern Ireland:* No. 1: March, 1954.
Belfast: *Her Majesty's Stationery Office,* 59 pages. 5s.

This is the first of an official digest of statistics for Northern Ireland prepared on the lines of the *Monthly Digest.* It will be published once or twice a year.

BORON STEELS: *Production and Use.*
OEEC, Paris. 140 pages.

L. T. C. ROLT

Winterstoke

"It was a brilliant idea of Mr. Rolt's to tell the story of the Industrial Revolution through the biography of an imaginary town."
NORMAN NICHOLSON (*Observer*).

"This work postulates a town in the Midlands and diffuses through it the whole history of England.

"Fictionalised history is, ninety-nine times out of a hundred, productive of fallacy; either by the subordination of fact to the requirements of the plot, or by over-simplification, or by gross partisanship on the side of the hero. But *Winterstoke* is the hundredth case." GUY RAMSEY (*Daily Telegraph*).

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Condensed Statement of Condition June 30, 1954.

(Figures of Overseas Branches are as of June 24, 1954.)

RESOURCES

Cash in Vault and in Banks		$1,307,405,929.11
United States Government Securities and Securities Guaranteed by the Government		1,904,890,364.35
Federal Agency Securities		162,958,636.46
State, County and Municipal Securities		565,351,090.06
Other Securities		120,935,291.73
Loans Guaranteed or Insured by the United States Government or its Agencies		1,189,255,987.48
Other Loans and Discounts		2,816,776,208.28
Bank Premises, Fixtures, etc.		70,953,970.32
Customers' Liability on Letters of Credit, etc.		181,318,885.14
Accrued Interest and Other Resources		43,017,452.31
TOTAL RESOURCES		$8,362,863,815.24

LIABILITIES

Capital	$150,000,000.00	
Surplus	200,000,000.00	
Undivided Profits and Reserves	104,862,238.75	
TOTAL CAPITAL FUNDS		$454,862,238.75
Reserve for Possible Loan Losses		60,718,540.73
Deposits {Demand	$3,677,771,928.36	
Deposits {Savings and Time	3,918,262,738.72	7,596,034,667.08
Liability for Letters of Credit, etc.		185,810,764.70
Reserve for Interest, Taxes, etc.		65,437,603.98
TOTAL LIABILITIES		$8,362,863,815.24

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Condensed Statement of Condition June 30, 1954.

RESOURCES

Cash in Vault and in Banks	$32,637,340.96
United States Government Obligations	22,606,467.34
Other Securities	758,876.92
Loans and Discounts	33,848,908.61
Customers' Liability on Letters of Credit, etc.	45,746,703.04
Accrued Interest and Other Resources	478,501.87
TOTAL RESOURCES	$136,076,798.74

LIABILITIES

Capital	$10,000,000.00	
Surplus	3,000,000.00	
Undivided Profits	875,416.30	
TOTAL CAPITAL FUNDS		$13,875,416.30
Reserve for Possible Loan Losses		600,000.00
Deposits		75,179,346.38
Liability for Letters of Credit, etc.		45,974,637.94
Reserve for Interest, Taxes, etc.		447,398.12
TOTAL LIABILITIES		$136,076,798.74

COMBINED RESOURCES OVER $8,400,000,000

American Survey

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

Congress on the Middle Road

Washington, DC

BARRING accidents this Congress will not need to delay its departure much, if at all, beyond the habitual target date of July 31st, and the record it is leaving behind should supply arguments for everyone in the forthcoming elections. Enough of President Eisenhower's legislative programme will, it seems, have been enacted for him to be able to declare that the Republican party has passed his test of its worthiness to remain in power; enough of it will have been dropped or postponed for the Democrats to be able to quote the President's test in evidence against his party.

Those Democrats who want to demonstrate to the voters that they are more pro-Eisenhower than the Republicans can talk about foreign policy and trade and about the rights of the executive branch. Democrats did more than Republicans for the Administration's foreign aid legislation in the House of Representatives; a group of Democrats in the Senate carried the weight of the argument against the Bricker Amendment, which would have limited the President's discretion in conducting foreign policy, and supplied more than half of the votes against it; and Democratic Senators organised an impressive demonstration in favour of the President's foreign trade policy after his own party had induced him to abandon it for this year. Moreover, during the televised hearings of the Senate's Permanent Investigating Sub-committee which, as the *New Yorker* put it, was investigating itself like a monkey looking for fleas, it was frequently made to look as if the Democratic members were the sole supporters of the Administration. On the other hand Republicans who wish to blame their opponents for obstructing the President's programme also have examples to offer: the votes in the Senate, cast predominantly by Democrats, to make Hawaiian statehood dependent on the much more dubious proposition of statehood for Alaska, and to send the suggested amendments to the Taft-Hartley labour law back to committee. Democratic votes also denied a two-thirds majority to the constitutional amendment lowering the voting age to eighteen.

Those who support Mr Eisenhower's conception of the Presidency are able to point out that, despite the "well-publicised diversions" about which he has periodically complained, he has induced an evenly divided Congress to develop a solid if unsensational body of legislation that meets his two criteria; these are that the measures should be politically "in the middle of the road" and that the men who take responsibility for them should be the regular leaders of the Republican party. The first condition, intended to sidetrack issues which have divided the country emotionally, has involved the abandonment of successive items in the programme which developed naturally out of the positions taken by Republicans when in opposition, as well as the carrying out of detailed studies to see how existing policies could be improved without arousing deep feelings. The second condition, which the President considers essential if in future the Republicans are to be considered seriously as a possible governing party, has prevented the Administration from working through *ad hoc* groups who support different sections of its programme—through, for instance, the Democratic leaders when trying to get permission to lower trade barriers further.

The President's detractors also derive arguments from these same criteria. They criticise as excessive his emphasis on the "middle of the road" in his legislative programme, on the ground that there is no standing room in the middle of some roads because of the traffic trying to pass in opposite directions. The Randall Commission's report on foreign economic policy, for example, it is argued, shows that no compromise is to be found in Congress between those who want more protection and those who want freer trade. A more radical criticism of Mr Eisenhower comes from men like Mr Walter Lippmann and the Democratic Senator Fulbright, who regard as mistaken his emphasis on a legislative programme which, while mildly "progressive," one of the two adjectives the President likes to use about it, can scarcely be considered "dynamic," which is the other. The President, they feel, should rather spend his energies on asserting the proper authority of the executive, clarifying foreign policy, and coming to grips with such threats to his Administration as the investigations of Senator McCarthy—behaving in fact more like a Prime Minister of Britain and less like a President of France.

*

Mr Eisenhower, however, is fully aware that his remarkable ability to retain popular support is related to his appearance of being, unlike many of his predecessors, somewhat above the partisan battle. He has resolutely adhered to his principle of not replying to other individuals by name; his two specific appeals over the heads of Congress to the people for support—against the Democrats' attempt to bring about further large tax cuts and in favour of his farm policy—were fairly rapidly followed by voting successes on these measures in Congress. Although he has been unfortunate in some of the Republican committee chairmen in the House of Representatives, the skill and adroitness of the Speaker, Mr Martin, and the majority

leader, Mr Halleck, have brought considerable acceptance among Congressmen of the idea, once ridiculed by Senator McCarthy, that the November election will turn on the extent to which Congress has enacted the President's programme. Mr Halleck in particular has employed pressures which are considered ruthless in Washington to induce Republicans to vote in a way contrary to their previously expressed convictions, setting the example himself by abandoning two years of opposition to the "socialist" principle of public housing.

Apart from clearing the bulk of the Appropriations Bills through the House ahead of schedule, Mr Halleck's largest single feat to date has been what the President has called the "great and sweeping victory," in which the principle of flexible price supports for basic agricultural commodities has triumphed over that of high rigid supports, even though only in a modified form. Many of the Republicans who yielded to pressure on this question are lugubriously predicting serious trouble when they get home; their only hope, they maintain, is that general enthusiasm for the President and his programme will carry them through. Similarly the Democrats are relying heavily on the farm issue to pick up seats and are thus becoming more deeply committed to high rigid supports, which is hardly cheering for those optimists who have been hoping that the party of Mr Adlai Stevenson would become the party of brains and new ideas.

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On present indications each side will have lost one of the issues with which it started the congressional session. While signs of economic recovery seem to preclude the Democrats from campaigning once again against Mr Herbert Hoover, on the slogan of "yet another Republican depression," Republican orators can hardly now repeat the President's triumphant assertion of last January that, in the field of foreign affairs, "that precious intangible, the initiative, is ours."

At Geneva the United States has been on the periphery; in the United Nations it seems as if it may shortly be on the defensive. While Mr Dulles confidently asserts that his diplomatic skill will make superfluous Senator Knowland's drastic threat of an American withdrawal from the United Nations if Communist China is admitted, the mood in Congress is one of bewilderment and dismay—bewilderment at the gulf in moral judgment between the United States and Britain, which was revealed to many members for the first time by the visit of Sir Winston Churchill and Mr Eden, and dismay at the prospect that the normal American majority in the United Nations may disappear on this question of admitting China.

The President undoubtedly spoke for Congress and the nation when he said that he did not see how any impartial country could vote for the acceptance of Communist China under present conditions. It is a long time since Americans felt so isolated and misunderstood. The feeling is shared by members of both parties, but neither has any intention of taking the blame if it can be helped. The Vice-President, Mr Nixon, is naturally trying to shift it on to the previous Administration, and its failure to check Communist expansion in the Far East, but the Democrats are equally naturally determined not to be weighed down once again by this charge.

Second Thoughts on Foreign Aid

NO sooner had the House of Representatives given the President practically all he had asked for in foreign aid authorisations than the Senate Foreign Relations Committee, spurred on by Senator Knowland, began to have second thoughts on the matter. By threatening to write into the Bill provisions requiring the United States to withdraw support from the United Nations should Communist China be admitted, and all military aid from France and Italy should they not ratify the European Defence Treaty immediately, the Senators forced the Administration to clarify its position on both these points. Once this concession had been secured, however, the committee had second thoughts again, this time about the wisdom of this attempt to circumscribe future diplomacy by current legislation, and the foreign aid Bill, as it appears on the Senate floor, is more satisfactory than seemed likely a few days ago.

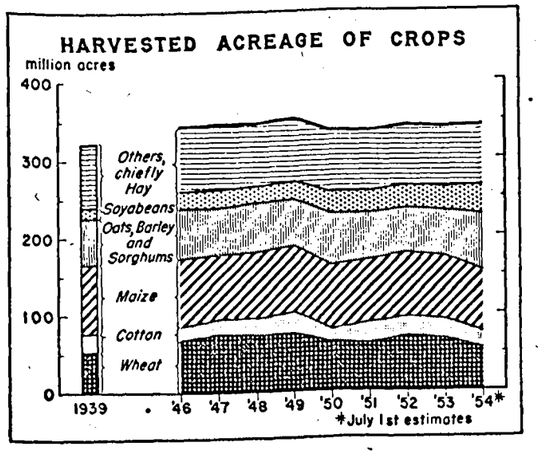
On the admission of Communist China to the United Nations, the Bill contains only a requirement, proposed by Mr Knowland himself as a substitute for his original amendment, that the President must report to Congress on the implications of such a development for the United States, should it occur. And on the European Defence Treaty the committee, after a special appeal from Mr Dulles, followed the House's example in cutting off only future military aid, not the arms that have already been ordered and are on the way, should the pact not be ratified. The Senate committee also restored the various cuts and other changes, concerning loans, purchases of farm commodities and so on, made by the House, including the appropriation for buying aircraft in Britain. But the committee then applied a general cut of roughly ten per cent to all sections of the Bill except the technical aid and multilateral co-operation programmes. The total sum therefore recommended to the Senate is $3.1 billion, instead of the $3.3 billion authorised by the House and the $3.4 billion requested by the President.

Crops at Cross Purposes

AS the Senate prepared to wrestle with the President's farm programme, the July crop report, the first complete forecast of this year's harvest prospects, demonstrated once again the overwhelming abundance which has been encouraged by the present system—backed up this year by an unnecessarily generous Nature. For good weather—the much-publicised droughts and floods, however severe, have only local and temporary effects, it appears—and the scarcity of insect pests have frustrated the Department of Agriculture's desperate attempts to cut the output of farm products which end up in storage instead of stomachs. It is already costing the taxpayer $700,000 a day to store these surpluses, the government owns outright nearly $3.5 billion worth of commodities and, if Congress grants the President's latest request for additional lending authority, there will be $10 billion tied up in price-supporting operations.

As a result of Nature's bounty, although slightly less land was planted this year than last, about a million acres more will be harvested and record yields are expected, so that

total output will be little, if at all, below last year's. Strict controls on both planting and marketing have reduced acreages of wheat and cotton, although similar restrictions had little effect on maize acreages; the majority of farmers feed this grain to their livestock instead of selling it and thus becoming subject to the penalties for overplanting. The July crop report proved what was already known, that farmers, unwilling to leave their land uncultivated and unprofitable, had planted other cash crops, mainly oats, barley, sorghums and soya beans, on the acres that they were forced to take out of cotton and wheat. This means a great increase in the supply of feed grains, and will probably not only involve the government in additional direct price support operations, but may also eventually bring a glut of meat and thus a demand for price supports there too.



Nothing Congress does about farm legislation can have much effect next year, but the Secretary of Agriculture has already taken steps to prevent a recurrence of the present squeeze. The restrictions on wheat planting and marketing next season, on which farmers are to vote next week and which are certain to be followed again by curbs on cotton and maize, include cross-compliance, under which a farmer must keep to the acreage allotments set by the authorities for all the basic crops on his farm if he wants price support for any one of them; and on the 2 million larger farms, land taken out of a restricted crop can be planted only to hay and pasture if price supports are wanted on other crops. These strict controls, which have never been applied before, may force the farmers to do as the government hopes, and take some 40 million acres out of cultivation altogether, but they will be the least fertile acres and total output is, therefore, unlikely to fall proportionately.

Poor State of Health

JUST as Congress was being congratulated on the helpful way in which it was now dealing with the President's legislative programme, it struck a blow at the heart of his never very vigorous health insurance scheme and almost certainly knocked it out of this session. Mr Eisenhower is, however, determined to revive these proposals, which would encourage private insurance companies, by giving them federal guarantees against loss, to extend health coverage to people who are now either not qualified for it, or not able to afford it. Unfortunately this attempt to see that all Americans have adequate medical care without compulsory insurance pleases no one except the President and his advisers. It is too debilitated to satisfy trade unionists and other liberal groups, while to the American Medical Association it seems to be infected with the germ of "socialised medicine," a diagnosis which was confirmed by the insurance companies who are also fearful of government interference. The Bill was unenthusiastically approved, largely for the President's sake, by both the congressional committees concerned, but when it came to debate in the House, with no organised support and two powerful lobbies working against it, it was quickly sent back to committee. There it is likely to stay, to the regret of the Republican leaders who had regarded it as a useful vote-getting measure for next November.

The election prospects, even if not the health of the average American, will, however, be improved by another, less important section of the President's welfare programme which has been authorised. This is an extension of the 1946 Act under which the federal government already assists states to build hospitals and public health centres. Federal assistance will now be available for homes for the old and chronically diseased and disabled; in all these categories there is a great need for more facilities. Both Houses of Congress have also approved a Bill which would provide increased federal aid to the states for vocational rehabilitation programmes for the disabled, and another Bill which is expected to pass would give the states more freedom in spending federal grants for public health purposes.

Coal's Future

New York.

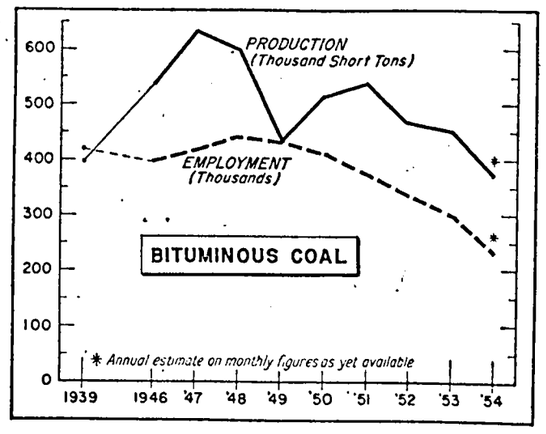
SIX years ago the American bituminous (soft) coal industry broke all records with an output of 631 million short tons; by the end of last month production had fallen to an annual rate of about 370 million tons. Employment in the industry has fallen correspondingly from 442,000 in 1948 to 215,000 in April of this year, and it is hardly surprising that the United Mineworkers Union has forgone its annual demands for higher wages and has joined the coal operators in a series of desperate appeals for government assistance. The President is meeting these by the appointment of a special committee to consider what can be done to lift coal out of the present depression.

The severity of the decline in demand for coal since the turn of the year is, of course, partly due to the drop in industrial production in general. But of greater significance is the almost uninterrupted decline, throughout the last decade, in the purchases of coal for what were formerly the industry's two best customers—the railways and space heating. By the adoption of the diesel-electric locomotive, the railways have cut their annual consumption of coal by over 100,000 tons; and in homes and offices the "pushbutton" convenience of heating with fuel oils and natural gas has displaced another 60 million tons of coal a year. A part of this market may be recaptured—by coal-

burning gas turbine locomotives on the railways, and by more automatic coal-burning appliances in the home—but it is in meeting what should be the growing demand of the electric utilities, the steel companies, and the smaller industrial users that coal has the best chance of competing successfully in the long run with residual fuel oil and natural gas.

To achieve this success, however, coal prices must be competitive with those of other fuels. Already this year the delivered price of coal has gone down by some 25 cents a ton more than the usual seasonal reduction, but the poor earnings of most coal companies have left them little margin to support more aggressive price competition, unless they can first cut costs—and cut them in spite of the spectacular wage increases won by the organised mineworkers since the war. Not only have miners' wages risen faster than those of workers in competing fuel industries, but they also account for twice as large a share of total costs—over 50 per cent in most mines.

Some mineowners have sought a solution in lower wage rates under non-union operation, but the tendency to break away from the union is not by any means a strong one and, if it gains greater momentum, it will be bitterly opposed by



the organised mineworkers. An alternative attempt to lower wage costs by strict interpretation of existing labour contracts has been met by a strike. Furthermore, the miners' leader, the intransigent Mr Lewis, would rather have unemployment among miners than agree to any cut in their wage rates. It is therefore not on lower wages, but on the higher productivity of labour—at the coal face, in underground haulage, and in the transport of coal to preparation plants and consumers—that the industry is pinning its hopes.

The key to higher productivity lies in the increased mechanisation of production. The progress that is being made in this direction and its potentialities for the future will be discussed in a later article. But fully mechanised mining will not of itself solve the industry's problems. In order to capture and hold new markets, coal must be tailor-made to the exact specifications of the customer, and must be delivered, as well as mined, at low cost. The first requirement, which means that coal is now, in effect, a carefully manufactured product, is being met by a rapid increase in mechanical processing; in 1953, 53 per cent of all coal sold in America was first mechanically cleaned, washed and sized. Over 80 per cent of all coal is still delivered by rail, and any economies achieved in the mines have been more than offset by increased freight rates, but the disappearance of the coal-burning locomotive has also removed the railways' chief bargaining point. The mines, no longer tied to the apron strings of the railways' demand for coal, are now free to devise alternative methods of transport instead of the railway wagon, or to force a reduction in rail freight rates. Costs have been reduced to some extent by the increased use of rivers and canals, and by the employment of more and larger lorries for local deliveries over a wider area.

Perhaps the solution to the problem of high transport costs may lie, in the long run, in the preparation and use of coal in pulverised, or powdered, form, a form which is in any case being favoured increasingly by large industrial consumers. Taking a leaf from its competitors' book of transport advantages, such coal will move to market, like oil and natural gas, as a fluid through a pipeline, or alternatively by an overland overhead conveyor belt; plans for developing both methods are already in an advanced stage.

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If the industry succeeds in cutting the cost of mining, processing and transporting coal, it can afford to be optimistic about the future, despite the severity of its present depression. And the longer the view taken, the better the prospects. The cost of finding oil in the United States is bound to continue to rise and, even if imports are not arbitrarily restricted, fuel oil prices in the long run are likely to increase as are those of natural gas. As the competitive fuels become dearer, a number of new uses for coal will become economic. There are already a wide variety which are physically possible: the production of synthetic liquid fuels; the underground gasification of coal; the development of the coal-burning gas turbine for locomotives and power generators; the growth of a chemical industry based on direct coal hydrogenation, instead of as a by-product of coke production; and the multi-purpose method of coal carbonisation to produce liquid fuels, chemicals and a hot char residue suitable as a fuel for power generation. All of these new uses are believed to have a commercial future, but much more intensive research is first required. The coal industry spends on research less than an eighth of what the petroleum industry spends, and publicly financed research on coal, such as the work of the Bureau of Mines on synthetic liquid fuels and the underground gasification of coal, has recently been sharply curtailed.

But despite the colourful appeal of the new uses, the biggest—and the most rapidly growing—market for coal in the future will be without question in the generation of electricity. Coal, displaced from American homes by convenient oil and natural gas, is returning in the form of the equally convenient kilowatt-hour, through air conditioners and heat pumps, washing machines, water heaters clothes dryers and the entire range of electrical appliances. A parallel growth is expected in agriculture and industry. And as cheap hydro-electric sites become harder to find, the proportion of thermal stations is rising rapidly. By 1965, according to the Edison Electric Institute, the peak load for electricity will be double the present load, and of the new capacity installed to meet the increasing demand at least 90 per cent will be in the form of thermal stations. And although the Atomic Energy Commission must eventually reverse its role as the nation's largest energy consumer, and become one of coal's competitors, nuclear energy, even in the long run, appears more likely to supplement coal than to supplant it.

But to attack new markets with these new technologies coal producers must remain flexible. The negative approaches which they and the unions are at present demanding—limitation of imports of fuel oil, the prohibition of imports of natural gas, or guaranteed government purchases of coal without regard to comparative fuel costs—are mere palliatives which will impede rather than promote the necessary adaptation of the industry to its changed environment. The advocates of restriction are many and voluble but, in view of the more far-sighted members of the industry, government assistance should be sought only, if at all, in the form of larger appropriations for research, or of an increase in the industry's tax depletion allowance to provide more money for mechanisation.

The Lattimore Serial

TRIALS for perjury are the only logical endings to the McCarthy anti-Communist thrillers, which always take the same pattern: allegations by the Senator that a government official or adviser is, or more often was, a Communist or has Communist affiliations, followed by repeated denials from the victim before one or more investigating committees. Yet so far only two of these stories have got as far as the third instalment. One of them had a happy last chapter six weeks ago, when perjury charges against Mr Val Lorwin, once employed by the State Department, were dropped by the Department of Justice and the investigator discharged for misrepresenting the case when obtaining the indictment.

There is no suggestion of irregularity in the second, more famous story, that of Dr Owen Lattimore, the Far Eastern expert who worked for the Institute of Pacific Relations, although there would seem to have been some inefficiency in the Department of Justice. For the Court of Appeals has upheld Judge Youngdahl in dismissing the vital count in the indictment of Dr Lattimore, which charged that he lied in denying to a Senate committee that he had been "a sympathiser and promoter of Communism and Communist interests." This, said the court, was too vague an accusation to be brought to trial; Mr Youngdahl's rejection of one of the other, less important, charges was upheld, but two were reinstated. The Department of Justice has now to decide whether to appeal against this decision to the Supreme Court, to drop the case altogether, or to bring Dr Lattimore to trial on the remaining counts. These are that he committed perjury in denying that he knew that various writers for the journal of the Institute were Communists, that he knew that a certain Chinese was a Communist, that a meeting with a former Soviet Ambassador had not taken place during the period of the

BANKERS TRUST COMPANY
NEW YORK

Condensed Statement of Condition—June 30th, 1954

ASSETS

Cash and Due from Banks	$528,047,780.40
U.S. Government Securities	506,133,561.42
Loans	962,005,290.52
State and Municipal Securities	69,300,184.41
Other Securities and Investments	16,218,575.25
Accrued Interest and Accounts Receivable	7,066,340.81
Customers' Liability on Acceptances	22,564,494.45
Banking Premises	14,365,823.90
	$2,125,702,051.16

LIABILITIES

Capital	$30,512,000.00	
Surplus	105,000,000.00	
Undivided Profits	49,118,473.97	
		$184,630,473.97
Dividend Declared		1,678,160.00
Deposits		1,900,136,174.52
Reserve for Taxes, Accrued Expenses, etc.		14,118,714.20
Acceptances Outstanding	26,193,911.24	
Less Amount in Portfolio	2,569,271.46	
		23,624,639.78
Other Liabilities		1,513,888.69
		$2,125,702,051.16

Securities in the above statement are carried in accordance with the method described in the Annual Report to Stockholders for the year 1953. Assets carried at $192,126,032.00 on June 30th, 1954, have been deposited to secure deposits, including $117,967,288.37 of United States Government deposits, and for other purposes.

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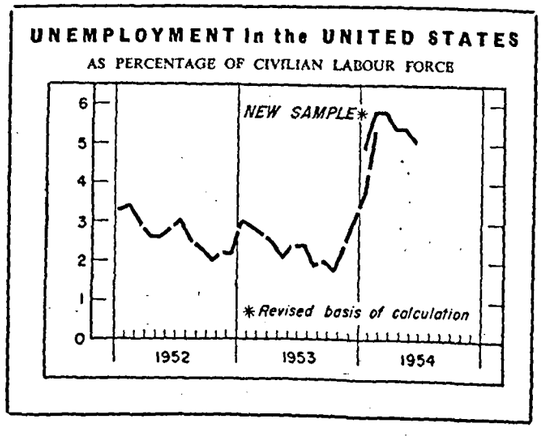
Nazi-Soviet pact, and that he had handled correspondence for one of the President's assistants during the last war.

Certainly these remaining counts, concerning mainly Dr Lattimore's opinions or the accuracy of his memory, hardly seem substantial enough to justify reviving a bitter controversy and involving him in the strain and expense of a trial; nor unfortunately is it likely that his acquittal on such charges would arouse enough interest to wipe out of the public mind Senator McCarthy's original naming of Dr Lattimore as the "top Soviet espionage agent in the United States." For over four years Dr Lattimore has been devoting all his energies to fighting these accusations, and he is fortunate that his employers, John Hopkins University, have stood by him; he therefore still has an opportunity to resume a constructive career. Another of Senator McCarthy's victims, Mr John Paton Davies, has no such certainty; also a Far Eastern expert, but a permanent State Department official, he has been repeatedly cleared by loyalty boards, but is now apparently once more under examination on suspicion of perjury.

Lumber out of the Wood?

THE strike, now in its fourth week, of well over half the 100,000 lumber workers in the Pacific Northwest, which produces nearly all the country's plywood and about a third of its softwood, seems to be doing more good than harm to all concerned, except the construction companies and other users of lumber who have been paying about 25 per cent more than usual for their supplies. But even prices are now coming down, although they are still far above normal, as consumers realise that there is no immediate threat of a shortage. This is mainly because many small lumber companies in the Northwest have either come to a quick settlement with the strikers or employ non-union labour; some are even said to be using men on strike from other companies to man a second shift.

Such an opportunity of increasing sales is particularly welcome to these small firms, for they find it ever more difficult to survive in an industry which has a habitual pattern of boom and bust and has for some time been one of the least prosperous sections of the American economy. The strike came when the large lumber companies repeated their last year's refusal to raise wages. The two lumbermen's trade unions, belonging respectively to the American Federation of Labour and the Congress of Industrial Organisations, had already united for the occasion in anticipation of this refusal and they presented a joint demand for an increase of 12½ cents an hour. The unions recognised that the continued decline in lumber prices made it genuinely difficult for the companies to pay higher wages, and argued that a strike was the solution for both sides, since it would push prices up, as it has indeed done, and make wage increases feasible. The strike came at a time when there would in any case have been holiday shutdowns, and seasonal stoppages of logging operations because of the danger of fire during dry weather. So it is hardly surprising that there has been little pressure for a general settlement of a strike that seems, to trade unions and lumber companies alike, to be offering them, temporarily at least, a way out of the wood of recession.



SHORTER NOTES

Nebraska voters will have the unique opportunity of choosing three United States Senators in the November elections, as a result of the death of both of the state's Senators—Mr Griswold and Mr Butler—this year. However, of the three vacancies, only one is for a full six-year term; the other two are for the last four years of Senator Butler's term, and for the last two months of Senator Griswold's expiring term. In a traditionally Republican state, the Democrats hope to benefit from the confusion which this unusual situation has caused among the Republicans; there are no fewer than eight contestants for the Republican nominations.

★

The government's principal purchasing agency, the General Services Administration, is planning a three-year purchasing programme to acquire 200,000 flasks of domestic and Mexican mercury for the stockpile at a guaranteed price of $225 a flask of 76 pounds. The current shortage of mercury has pushed the price up to $280 a flask, from $186 at the beginning of the year, and the government is in effect putting a floor under the price; this should encourage the reopening of high-cost domestic mines and thus increase the supply for the open market.

★

According to a report from the Bureau of the Census, more than seven million persons were employed in governmental positions in 1953 and drew $23½ billion in pay during the year. Of these civilian public employees, more were in local than in state or federal government service, and more were in educational and national defence work than in any other public enterprise. Although federal employment declined last year, state and local employment has continued to rise.

★

Congress is continuing the suspension of the import tax of two cents a pound on copper, but the duty will be reimposed if the price of copper falls below 24 cents a pound. It is now about 30 cents a pound and imports of copper have been running at about 35 per cent of domestic production.

The World Overseas

Indonesia Watches in the Wings

THE course of events since the fall of Dien Bien Phu has been watched very closely in Djakarta. It is not of course everyone who even knows where the Red River delta is. But those who do have been taking stock of their own situation in Indonesia itself. And for one reason or another they have mostly come to a tacit agreement on one thing; Indonesia must stay strictly neutral. If it does anything, it will sign a non-agression pact with China. It will not, under any circumstances that can at present be foreseen, join a South East Asia Treaty Organisation (Seato).

The reason for this is simple. The anti-Communists are both hushed and anti-western; they are alarmed at the developments in Indo-China but cannot bring themselves to take any decisive action. The Communists, on the other hand, are patiently as well as jubilantly biding their time. An interesting illustration of their attitude emerged some weeks ago from reports published in a moderate and certainly not pro-Communist Socialist paper. A number of left-wing groups had got together to discuss the way the wind was blowing in Geneva. The Communists among them re-emphasised the fact that with the 30 votes which they command in parliament they could bring about the fall of the present government at any time they wished. As, however, this would undoubtedly bring a coalition of the right-wing Muslims—Masjoemi party—and Socialists to power, they preferred to use their influence to blackmail the present government into carrying out policies favourable to Communist aims.

Indonesia is in fact much more likely to dance to the Communist tune than either India or Burma. Delhi's policy of neutralism is well known for its idealism, whether or not this must be regarded as starry-eyed. Rangoon is now staunchly independent, but also frightened and wary of Chinese intentions, as the visit of Mr Chou En-lai has shown. There is little that is starry-eyed about Djakarta; rather is it a centre of political intrigue, in which personal ambition and Communist tactics might at any time combine to produce a dangerous explosion. The only solidly optimistic fact that can be weighed against the reality of this peril is that almost no one who knows the Indonesians seriously expects the worst to happen. Although under considerable Communist influence, their country is at present likely to jog along for some time, without going Communist.

In politics, one of the biggest question marks hangs over the constantly deferred general election. Preparations are now going ahead more actively than they have in the past, and it seems that even the present government coalition—the Nationalists (PNI) and the Greater Indonesian party (PIR)—which fears a resounding defeat at the polls, may not feel able to postpone the contest much beyond 1955. The Communists meanwhile have already had one ingenious trick exposed. With a largely illiterate electorate, party symbols for which people can vote have to be officially registered. Until the main opposition party, the Masjoemi, protested, the Communists had managed to get the hammer and sickle quietly registered not only as their own sign but also as a general emblem for anyone not associated with any particular party.

In economics, the feature of the past year has been a worsening of the general position and a definite weakening of the national currency, the rupiah. Since last August gold and foreign exchange reserves have fallen from Rp 2,210 million to Rp 1,540 million. Government borrowings from the central bank had risen from Rp 83 million to no less than Rp 2,797 million by May of this year. And while the statutory rate of exchange is still 32 rupiahs to the pound, the imposition in March of a tax levy of two-thirds on many forms of remittance into sterling has lowered the effective rate to 53 rupiahs to the pound. Similarly, as Mr Macindoe, the chairman of the Indonesia Association, has pointed out in London, "owing to inducements and other devices the effective rate of exchange, where the import trade (into Indonesia) is concerned, works out at anything from Rp 32 to Rp 96 to the pound." A further devaluation of the rupiah is expected in many quarters.

One of the tragedies of the new Indonesia is its inefficiency. Fortunately for the people who form the backbone of the country, the peasants, nothing could apparently matter less. Their islands are rich and their basic human needs are small. And in terms of modern Asian politics it is everything to be free. There has indeed been a great feeling of exhilaration since the winning of independence four years ago. But, having advanced on to the world stage in their own right, the Indonesians cannot avoid its common problems. One of these is how they are to pay their way with a rising standard of living. Another is how to do so without resorting to the totalitarian methods inherent in Communism.

It is easy for anyone who knew the prosperity and order of the Netherlands East Indies in the old days before the war to decry the mess of the present day. But the current phase is an essential part of the process of transformation from colonial status to successful independence. Already a good deal has been learnt and it must be hoped that Indonesia will be granted the time and ability to complete the change, without falling prey to a political philosophy that

would, in the end, be a burden to the country and a menace to its neighbours.

For the British, the most immediate practical result of all this is to threaten the gradual elimination of some £150 million worth of commercial investment. British and other foreign firms are being confronted with immense and, it would appear, increasing difficulties. Every kind of obstruction is put in their way in respect of remittances abroad, entry permits for their own nationals, the employment of labour, the use of housing, the employment of Indonesians on their staffs, taxation, security, long-term planning and, not least, form-filling; the returns from one firm are recently reputed to have had to be dispatched in five wooden packing cases.

For the West as a whole a country as strategically placed as Indonesia is bound to be important. Although it has lately dropped out of the headlines, it remains to haunt the planners in the shadows. The Indonesian government has just made the gesture of finally breaking the formal Union which remained with Holland. At least an element of luck looks like being needed if it is not in time to forge some kind of new link with the Communist empire.

Nasser's Deal in Oil

BY a new agreement with foreign oil companies which Egypt's *junta* signed on June 26th, Colonel Nasser has displayed that he has practical notions about how to turn an adverse tide in the affairs of an underdeveloped state. For nearly ten years, Egypt and several of its neighbours have offered the anomalous spectacle of statesmen fending off foreign proposals likely to contribute to new investment and greater freedom from want. Their motive has been fear of the snares that they think underlie any scheme that is simultaneously of advantage to the west. In refreshing contrast to certain predecessors, Colonel Nasser has seen that there is no future for Egypt if its statesmen simply coast in neutral gear. He has therefore cut the nationalist cackle and signed an agreement with four major western oil companies on the development of Egypt's oil industry. Naturally, the four companies stand to benefit if all goes well, but so do the Egyptians.

A point Egyptians do not readily comprehend is that their oil industry is not as tempting to the foreign investor as those of some of their neighbours. Oilfields in Egypt have proved difficult to find and are apt to be faulty when discovered. Production has over the last few years amounted to only about two-thirds of consumption; the latter is rising and the former failing unless reinforced by new discoveries. The balance of consumption has to be bought out of foreign exchange resources that are in short supply. A logical government would have given every encouragement to anybody willing to finance prospection for, and exploitation of, new resources.

But nationalists are not logical. Successive governments have for years set less store by increasing home production than by clipping the wings of the only people capable of doing this for them—the foreign oil companies. Monuments to this phase of nationalist thinking are the anti-foreign Companies Law of 1947, a Mining Law of 1948 that confined the exploitation of discoveries to Egyptian companies, and the imposition of arrangements about selling prices that deterred any oil company from increasing its stake in Egypt by rendering the yield on its end-product a matter of chance. If in a country that is part-producer, part-importer, oil companies are to plough profits into expansion of production, they must be allowed some latitude as to the price at which they sell oil some of which they have to import at prevailing world prices.

In the name of nationalism, successive Egyptian governments shut their eyes to this fact of life. Broadly speaking, they required the companies to sell certain oils, and notably kerosene, below a price based on economic value and known as the "justified price"; in compensation, other oils were to be sold at a price above that level and any unbalance was to be adjusted out of a Price Stabilisation Fund to be furnished by the Egyptian Treasury. In fact, the very basis for assessing the justified price was often in dispute and more than one cabinet left the Stabilisation Fund in deficit over considerable periods. The oil companies were at times operating at a loss to produce Egypt's import requirements. One of them—Jersey Standard—cut its losses and pulled out in 1950; the others—notably Anglo-Egyptian Oilfields and Socony Vacuum—hung on in hopes of better times.

Neguib's revolution raised these hopes only to dash them. His team amended the Company Law and introduced a law designed to promote foreign investment; early in 1953 it also introduced a new Mining Law that permitted non-Egyptian oil companies to exploit discoveries. But it still hedged foreigners about with onerous deterrents to enterprise. Illogically, at the same time as it proffered its new inducements, the Neguib government dealt new blows at the surviving foreign oil companies; notably it repudiated a price agreement that they had reached with the Wafd in 1951 and refused them the priority rights to prospecting licences that they had been granted in 1948-49—in a word, denied them the fruits of some expensive pioneering. If the *junta's* policy was to woo the foreign investor, it looked as if its right hand did not know what its left hand was up to. One or two small independent oil companies nibbled at new ventures, but their capacity for investment was a mere drop in the bucket of Egypt's needs.

Starting the Ball Rolling

Colonel Nasser seems to have a realistic appreciation of the hard fact that if the cost of extensive development of the oil industry is to be met, no one is in a position to do it except the established oil companies. His virtue is that he has flouted prejudice in order to start the ball rolling.

The advantages of last month's new oil agreement are that it settles tariffs and pricing to the satisfaction of both parties, that it gives the old-established companies up-to-date prospecting licences in parts of Sinai where they have already spent some £E4 million, and that it holds out promise for Egypt that they will in the next three years spend a further £E4½ million on improving production, refining and workers' welfare. It also holds out hope that the Treasury will by instalments make good the deficit in the Price Stabilisation Fund.

Contrary to oriental belief, an agreement on paper is not progress in being. The oil companies know that their operations are still dogged by prospects of frustration and delay; their hard-earned experience suggests that, however willing the *junta*, performance may lag behind intentions because Egypt's administrative machine responds only creakingly to any new demand put upon it. The companies are capable of putting sustained effort into working the deal, but matching effort by the Egyptians will be necessary if it is to work out as both parties would wish. Whether Colonel Nasser can infuse the necessary continuity into Egyptian practice remains to be seen. If he can, he may entice other foreign investors into Egypt.

First Steps in Federation

THIS is the season of budgets in Central Africa. Each of the three territories comprising the new federation continues to have its private agonies; but it was the first federal budget, which Mr MacIntyre, the Finance Minister, is now piloting through the federal legislature, that was awaited with special interest and anxiety. Not only has the Federal Government assumed responsibility for the general economic advancement of the new unit, which, among other things means that for the first time the main taxes are to be raised federally rather than territorially, but the Government stands more than most governments on its economic record. In the debates over federation the theme song of its proponents was an economic one—that federation would bring the territories prosperity which would be far harder to achieve in isolation. It was more than usually important, therefore, for the Federal Party to be able to report progress and to hold out prospects.

The Government has passed both these tests. Mr MacIntyre's budget provides solid enough proof of the advantages of centralisation. Most Europeans will be noticeably the better off for it. Federal company tax is to stand at 6s. 3d.; even if territorial governments continue to levy the full impost allowed by law for their own purposes (20 per cent), this will still in most cases mean a lower rate of taxation than in pre-federation days. The same applies to income tax; and allowances continue at a rate that is said to be necessary in a pioneering country, but which would seem utopian to the British tax-payer. A married man with two children, for example, pays no income tax at all until his income reaches £1,250 a year. But the most unexpected, and the most pleasant, relief comes in the extent to which Mr MacIntyre has been able to level out territorial tariffs as a first step towards building a customs union betwen the three territories. As a result the cost of spirits and tobacco for the Europeans in Southern Rhodesia has tumbled—and the African has been offered his bread and circuses in the shape of a reduction in the price of native cigarettes to one penny a packet.

Rival Power Schemes

For the future, Sir Godfrey Huggins has announced a £70 million development plan—a utility model as development plans go, but one which, given moderately fair economic weather, will stretch the federation's internal and external fund-raising powers to the limit. The federation's future rate of expansion is so much at the mercy of imponderables, such as the world price of copper, that in three years' time the pattern for investment may appear either over-ambitious or puny. But as a working model, the plan concentrates on the right things. Better transport is still the federation's first need; the plan envisages spending £30 million on it during the next three years, and the money will not be wasted. For the rest, it concentrates on two things—better social services, schools and the like for which African demand now far outstrips any foreseeable supply; and hydro-electric power for mines and industry.

It is this last item which presents the federation with its first really thorny problem of territorial *amour-propre*. There are two hydro-electric schemes afoot; the Kafue project in Northern Rhodesia and the Kariba project in Southern Rhodesia. Until a few months ago Sir Roy Welensky and the northerners thought their scheme was in the bag. Kafue could provide the power for the copper-belt by the time it was needed; and the Southern Rhodesian government raised no objections, provided that its chances of raising funds through the central government were not prejudiced. But experts now say that Kariba can supply the power earlier than was previously expected, and since the two projects are now clearly in competition for federal funds Mr Garfield Todd, the new Southern Rhodesian Premier, felt justified in backing his horse strongly. Feelings indeed ran so high that the Federal Government has imported two independent French experts to go into the whole position before deciding what to do.

This quarrel is symptomatic of the sort of friction that is bound to develop during the settling-in period of federation. Contrary to what politicians in Britain said, the pressure point is not racial politics but the natural jealousy of the three territories. This alignment is at present minimised by the strength of the federal party in the central legislature, and by the concentration there of all the most influential politicians of the *ancien régime*. The opposition—the Confederate party—was annihilated at the polls, only its leader, Mr Dendy Young, being elected to parliament. It has since committed near hara-kiri. Most of its leaders resigned early this summer in protest against the nationalist tendencies of the party's hard core; and Mr Dendy Young is now left as an uncomfortably isolated head of an increasingly ultramontane body.

Badinage and Bustle

Political interest has thus tended to swing from the centre to the wings, where new faces are to be seen and new names are being made in the territorial legislatures. These bodies are still very important. They have direct control over native policy; and, in the wrong hands, could make life very difficult for the central government. Perhaps the most remarkable change occurred in Northern Rhodesia, where the young and relatively inexperienced Mr John Roberts has taken Sir Roy Welensky's place as leader of the unofficials on the legislature, and immediately substituted a policy of co-operation with the still powerful official element in the government for Sir Roy's own peculiar mixture of badinage and bustle.

In Southern Rhodesia, an important new figure has emerged in Mr Garfield Todd, who has stepped into Sir Godfrey Huggins' shoes with more assurance than anyone would have believed possible a year ago. This ex-missionary, whose liberal reputation hides some practical common sense, has gained considerably in popular esteem from his firm handling of labour problems since he took office. He did not hesitate to call out troops at the time of the African strike at Wankie collieries early this year; he showed equal decisiveness in June, when he nipped the illegal and foolish European railway strike in the bud and deported its leader to England. The logic behind this firmness—apart from the crippling economic consequences

of a strike—is that Mr Todd believes that African progress can come only through discipline all round—and particularly from the Europeans. A committee is being set up this summer to sort out the vexed problem of African trade unions in Southern Rhodesia ; and it is consequently all the more important that, if, as is expected, they are legalised, they should not have an object lesson in irresponsibility from their white colleagues.

In Mr Todd's way, Southern Rhodesia is tackling African advancement sensibly. It believes in decent housing for Africans and proper economic conditions which will prevent shanty-town industrialisation ; it believes in better health and education. Its hesitancy about giving the Africans the vote is not all hypocrisy. Southern Rhodesia has a common roll, and Africans will increasingly make use of it. Federation may in fact have speeded up African emancipation rather than the reverse. In Nyasaland, Mr Lyttelton has agreed to greater African representation in the legislature and a land settlement that has made the plantation owners writhe. On the copper-belt, African and European trade unionists still confront each other, but the balance is tipping in favour of the African demand for better jobs at a rate lower than the fantastically high European wages.

The good sense of Central Africa is, in fact, all the more remarkable for the tantrums that are being thrown to East and South. How long, or whether, this will last is anyone's guess. But the first steps taken by the federation indicate that its critics were wrong and its advocates were right—and not only in the economic sense. In the battle of ideas, the liberals of Central Africa are turning down Malanism flat. They may even be raising hopes of liberalism in South Africa more than anyone yet suspects. If that is the case, they are doing without fuss just what was hoped of them.

The MRP in Limbo

LAST May the *Mouvement Républicain Populaire* (MRP) held its assizes in a mood of optimism and seemingly unbounded confidence ; last week-end its national council deliberated in gloom and bitterness. Two months ago the congress saw the party firmly entrenched in power, clinging to its monopoly in foreign affairs and, on the basis of a couple of victories in by-elections, it had high hopes of further success at the polls. Now the Christian Democrats have lost the *Quai d'Orsay* and have been thrown from the government into opposition.

The MRP is not used to opposition. With the exception of a few odd weeks it has had seats in the cabinet throughout the life of the Fourth Republic. Still, after the victory of M. Mendès-France its leaders promised to play their new role constructively. Those who hoped for quick proofs of that determination, or who saw in the appointment of M. Robert Schuman as rapporteur on foreign policy a search for a compromise with the new majority, must have been disappointed by last week's meeting. Since the MRP's conduct of foreign policy is now under fire its retrospective defence was only natural. But most of the council's time was taken up with attacks on the "myth of Mendès-France" and by questioning the latter's good faith. In fact the main reproach against the new premier—that he has put the question of European defence into the background—sounded somewhat hypocritical in the mouth of Christian Democrats who had not refused to sit in successive governments which had not even dared to set a date for a parliamentary debate on EDC.

The MRP may well not have recovered as yet from its unexpected setback or it may hope for a quick return to office. But however long it has to stay in the purgatory of opposition, the sudden fall from parliamentary grace was clearly a profound shock. Though the voices clamouring for a change were drowned last week in the general temper of mourning and revenge, there is a *malaise* in the Christian Democratic ranks which cannot be camouflaged by discipline and nearly unanimous resolutions. Indeed, there were already signs of internal dissension even behind the bright façade of two months ago ; there were the contradictions between progressive activists and conservative electors, between the party's left-wing social slogans and its right-wing political alignments.

Drifting to the Right

The MRP is a young party heir to an old tradition. Up to the last war the French Catholics had no political party of their own, though the conservative groups had the backing of the Church. But there were many Catholic groups (such as *Le Sillon*, a direct ancestor of MRP) trying to reconcile social reforms and the teachings of the Church. These progressive, anti-Munich groups as well as various Catholic youth and working-class movements were cemented together during the Resistance. After the liberation they emerged as a single party with wonderful opportunities. In fact, the opportunities proved probably too good for the purity of the new movement of progressive Catholicism. With the bulk of right-wing leaders discredited as collaborators, this new party, backed by the Church, inherited many conservative voters and with over five million votes became the strongest non-Communist political body of the Fourth Republic. True, the MRP lost much of this electoral ballast when De Gaulle's Rally swept the country in 1947. Still, even, now it is electorally strongest in the traditionally conservative clerical districts.

It has been the task of the leadership to bridge or at least to conceal the growing gap between the reformist activists, the *militants*, and the conservative electoral *clientele*. This has been made easier by the consitution of the party, by the strong representation of the parliamentary group in congresses and councils. But the reformists could not stop a steady drift rightwards. There were many reasons for this drift in addition to polling strategy. The question of lay or religious education, for example, divided the Christian Democrats from the traditional left. Even the uncompromising European policy of the MRP has tended to push it towards the right. But, above all, it decided to stay in office at a time when the governmental pendulum was swinging away from the left. With the Socialists in opposition, Christian Democrats found themselves serving under the conservative leadership of MM. Pinay and Laniel.

To defend this position they used the argument previously advanced by the Socialists that it was done in order to save the Republic and prevent the pendulum from swinging any further. Whatever the reasons for its presence, the MRP had to share the blame for errors of government policy. A paradoxical situation was reached last year when Catholic trade unions struck against the decrees of a government in which MRP ministers were represented. The North African policy of the government also provoked the wrath of many supporters. The eminent Catholic writer, François Mauriac, with all the passion of a lost love, charged the MRP ministers with having become corrupt with power and with having North African blood on their fingers.

M. Mauriac's strictures carried less weight than successes in by-elections. Yet these very successes strengthened rather than weakened the contradictions within the party and widened the gap between rank-and-file and the leadership; they were due chiefly to Gaullist losses, to the recovery by the MRP of conservative voters disappointed with the failure of their Gaullist gamble. Thus the dilemma facing the heirs of progressive *Le Sillon* is greater than ever. After ten years of almost uninterrupted power, the MRP finds itself out, though nobody knows for how long. One should not expect the party to revise its European policy in opposition. But this temporary setback could prove of great value if it were to lead the Christian Democrat leaders to decide whether there is room in France for a socially progressive Catholic movement.

Encouraging Soviet Farmers

SOVIET agriculture is again in the limelight. In the interval between spring sowing and harvesting the central committee of the party held a special session on agriculture and issued lengthy directives on the subject. A large part of it is devoted to a catalogue of regional and general shortcomings as well as to practical recommendations for the farmers. The general conclusion seems to be that to step up agricultural output the treatment prescribed by Khrushchev must be continued and intensified. In other words, the order of the day for agriculture is still both more incentives and more conquest of virgin land.

When Nikita Khrushchev launched his policy of incentives last September the emphasis was on vegetables, meat and dairy products. Now, however, the problem of grain is probably the most acute and incentives are to contribute to its solution. Compulsory grain deliveries by the farms are reduced, while quotas from farmers' private plots are completely cancelled. The government hopes that this loss will be more than compensated for by larger state purchases at higher prices. It still has faith that in spite of last year's unsuccessful experiments the countryside will respond to money pulls. It is now openly admitted that last year the supply of most agricultural products fell far short of expectations. But the planners are convinced that the chief reason was the lack of goods in the rural shops to tempt the peasants and that this can be remedied.

The main jump in grain output, however, is expected to come from the reclaimed land. The drive to extend the area under cultivation in Kazakhstan and Siberia is still in full swing but progress reports are somewhat mixed. On the one hand, 3.6 million hectares of virgin land have apparently already been brought under grain, though the plan foresaw only 2.3 million hectares at this stage ; on the other hand, there are alarming reports about the conditions in which some of the pioneers have to live and work. The erection of houses, vital in this cold climate, lags behind schedule and newcomers do not always get the tools they need.

The real test will come next year when about 20 million tons of additional grain should be provided from 13 million hectares of new land. Another reason for the government's concern about any shortcomings likely to discourage prospective settlers is the apparent intention of the Kremlin to transform this emergency operation into a full scale colonisation movement. The 140,000 who have already moved into the hitherto unexplored territories are only a vanguard. It is significant that to encourage collective farmers to migrate and settle down the state offers a free passage for the family and good credit for building a house, buying a cow and so on. To emphasise that the 13 million hectares are merely a prelude the central committee has now asked all the authorities involved to present in three months' time plans for the further reclamation of virgin and waste land, in particular in Northern Kazakhstan and Western Siberia (Khrushchev himself has just attended a special agricultural conference in Novosibirsk). New railway lines are also to be built to provide outlets for surplus grain. The planners clearly visualise this area as the biggest Soviet granary of the future.

These grandiose plans of expansion, however, are for tomorrow. Today the Kremlin is faced with the urgent tasks of rapidly improving the diet of the average Russian town-dweller and of getting the necessary agricultural raw materials for light industry. For the moment the situation is still critical. There are shortages of meat, vegetables, dairy products and grain, particularly fodder grain, indispensable for livestock breeding. To keep their pledge to the consumers, the new Soviet leaders will have to spur on the farmers to a tremendous effort in the next twelve months. The contribution of new land may prove of very great value, but much will depend on higher yields and larger supplies throughout the country. Will the planners be able to supply enough consumer goods to attract the peasants ? Will lesser burdens result in higher production ?

All these are vital questions for the new regime and this is why the party keeps on prodding the countryside. This is the third time within ten months that trumpets are blown and new marching orders issued. And there is still a note of the utmost urgency in the appeal. The political future of post-Stalinist Russia will be greatly affected by the success or failure of Nikita Khrushchev's policy of incentives and land conquest.

Indians in Ceylon

FROM OUR CORRESPONDENT IN BOMBAY

IN the seven years since India and Ceylon attained their independence the dispute between them over the million people of Indian origin in Ceylon has never stopped simmering ; and at the moment it is threatening to flare up into a blaze. Last week Sir John Kotelawala, the Prime Minister of Ceylon, complained of a Press interview by Mr Desai, the Indian High Commissioner, in which the latter accused the Ceylon government of "dishonourable action" and said that unless it accepted amendments to the constitution concerning residents of Indian origin, the India-Ceylon agreement would be regarded as null and void.

Yet there has always been a theatrical quality about this quarrel; Indians and Ceylonese remain brother democrats, brother Asians, in Western eyes sometimes brother neutralists. The melodramatic way in which Ceylonese ministers talk about getting rid of their Indians does not stop them from following a foreign policy largely, but not wholly, in sympathy wtih India's, nor produce in them a fear that India will retaliate with anything stronger than persuasion.

The dispute is a direct result of independence. Before independence Indians and Ceylonese alike were British subjects. Independence was granted to Ceylon, however, with no safeguards for its Indian population and the new government set out at once to get rid of as many Indians as possible; to do so had long been an objective of most politically conscious conservative Sinhalese. The Sinhalese constitute the majority of Ceylon's population, and all its peasantry and aristocracy, but their distaste for trade and for paid labour had left a gap that Indians had filled. The tea-plantations which provide Ceylon with two-thirds of its exports rest entirely on Indian labour, as do, for example, the Colombo docks; and the shopkeepers and small importers-exporters are nearly all Indians. The population of Ceylon is, however, increasing at the record rate of 3½ per cent per annum. To the Sinhalese it seems that the simplest way to provide for this increase is to take over the Indians' jobs, if not today, at least in years to come. They are also reluctant to leave the Indians the right to free education or to a share of the new land being reclaimed in the mosquito ridden interior. Moreover, the United National Party is anxious to disfranchise the Indians, who are usually political opponents.

The Ceylonese constitution prohibits direct discrimination. The government's approach was therefore, ingenious. It refused to take the obvious course of granting Ceylonese citizenship to all those resident in Ceylon in 1947 who wished for it; this is roughly the definition Indians and Pakistanis are following for their citizenship. Instead two classes of citizens were created: citizens by birth and citizens by registration. Since most of the Indians now in Ceylon were born there, the Ceylon government could not accept the normal definition of citizenship by birth—that the person himself should have been born in the country. Under the Ceylon Citizenship Act either he and his father or his father and grandfather must have been born in Ceylon, and the onus of proof is on the applicant; this is no small task for an illiterate Indian labourer when birth records have in the past not been customary.

Indians were, however, partly provided for by the Act for Citizenship by Registration, for Ceylon would like to keep the prosperous Indians, and also a core of necessary labour. One can become a citizen by registration if one can prove reasonable means of livelihood—not always an easy task for a plantation labourer on a weekly wage—if one can furnish proof of having lived continuously in Ceylon with one's family for 7 years prior to January 1, 1946 (for 10 years if single) and if one can prove intention during that period of becoming a permanent resident. India does not object to the definition in itself, but to the way the law is administered in practice. To prove an intent in retrospect is always difficult, and the law is being so strictly interpreted that of late three-quarters of the applications have been turned down.

Of the million Indians in Ceylon, 150,000 have taken out Indian passports and of these 80,000 have already left. Of the remaining 850,000, Mr Senanayake—when he was the Premier of Ceylon—guessed to Mr Nehru that 400,000 might obtain Ceylonese citizenship, though it now looks as if the number might be lower, and at the present rate the process will take several years. The rest Ceylon regards as Indian, India as stateless. India will not accept as citizens people who declare themselves Ceylonese; it did, however, agree with Ceylon that the Ceylon government might offer inducements so that people would ask for Indian citizenship. India had in mind such measures as permission for applicants to take their capital with them on retirement or a special provident fund for estate labourers with a rising scale as inducement to leave sooner for India. What Ceylon has in fact done is to talk of denial of employment, of rice rations, and of free education, to non-Ceylonese. India does not accept these as inducements; they are in fact rather feckless threats. Ceylon cannot do without Indian labour so long as Ceylonese labour has not filled the gap, and rice is plentiful off the ration. Finally, India has backed up its view that the stateless are not Indians by prohibiting travel to India except on a visa, and visas can only be affixed to passports.

Thus the ball has been neatly smashed back into Ceylon's court. It cannot get rid of its Indians, for India will not take them unless they freely wish to come. All Ceylon can do if it will not absorb them is to mistreat them: patient though Indians are and disinterested though the Indian government officially is, for so small a country next to so large a country to do that might be foolish.

Journal of Geneva—X

NO important developments took place during the tenth and eleventh weeks of the Geneva conference. In the absence of most of the chief protagonists the conference marked time and waited the outcome of the three sets of military talks between the Viet Minh and the Vietnamese, the Laotians and the Cambodians; the first started on June 2nd, the second on July 6th, and the third on July 7th.

July 8th. Mr Molotov returned to Geneva.

July 9th. A restricted session on armistice arrangements.

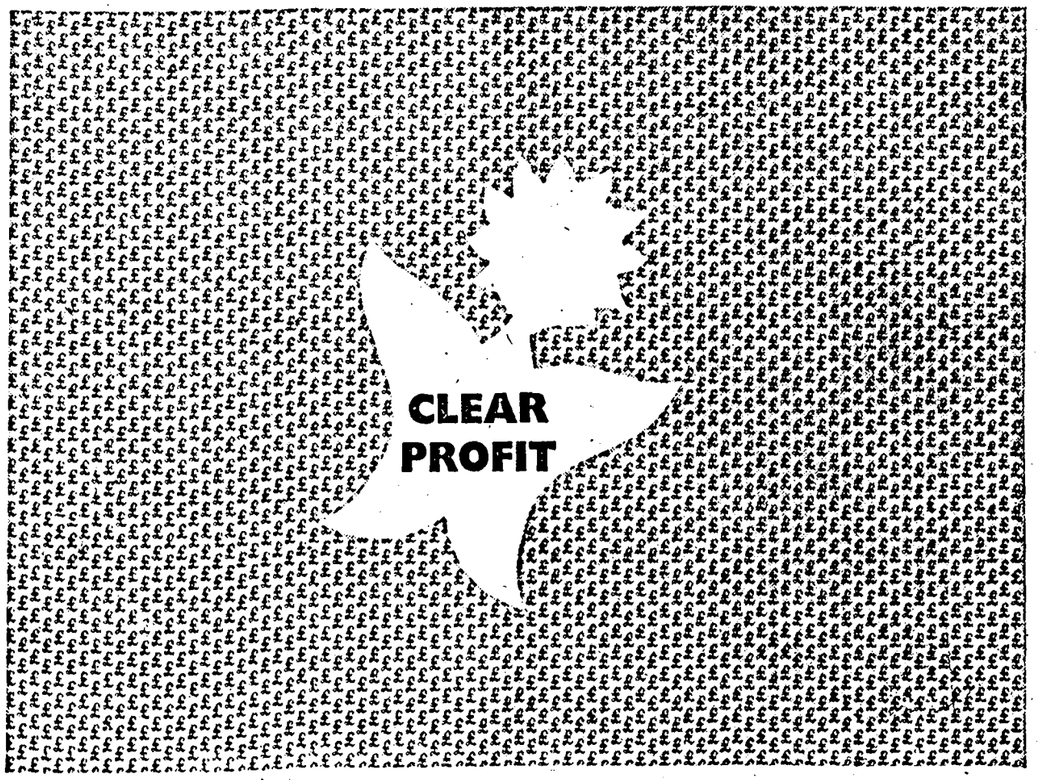
July 10th. M. Mendès-France arrived and dined with Mr Molotov.

July 11th. M. Mendès-France had a number of private meetings including one with the Viet Minh Foreign Minister, Mr Phan Van Dong. This was the first meeting between the chief French and Viet Minh representatives.

July 12th. Mr Eden and Mr Chou En-lai arrived and a number of private meetings were held.

July 13th. After a series of private meetings M. Mendès-France and Mr Eden left for Paris to meet Mr Dulles. The first private meeting between the heads of the Vietnam and the Viet Minh delegations took place.

July 14th. After further meetings in Paris with Mr Dulles, Mr Eden and M. Mendès-France returned to Geneva and Mr Eden immediately got in touch with Mr Molotov. After the three-power talks in Paris it was announced that Mr Dulles had explained "the limitations" which his government wished to observe with regard to the Indo-China talks at Geneva, but that Mr Bedell Smith would return to Geneva at an early date.



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THE BUSINESS WORLD

How Convertible is Sterling?

THE assembly of Finance Ministers of Western Europe at Church House, Westminster, this week, under the chairmanship of the Chancellor of the Exchequer, has rather ostentatiously shunned the designation of a "convertibility" conference. This is to avoid giving the impression that any decisions upon moves to convertibility might quickly follow the London meeting. They will not do so. This is the first of a series of ministerial meetings organised by the Organisation for European Economic Co-operation to inquire into the effects that a possible move to convertibility would have upon the future of the European Payments Union and upon the code of trade liberalisation that has grown up under the ægis of OEEC. This, therefore, is not a conference to achieve "convertibility" but one to discuss the hypothesis of convertibility. Finance Ministers and their retinues of experts do not, however, journey to London merely to consider the hypothetical consequences of forlorn chances. The fact that this "Working Party of Ministers" has begun the formal consultations that are due to be completed by November 1st next for report to the full OEEC Council is yet another straw showing the direction of the strong wind now blowing the principal currencies of Western Europe towards convertibility.

The talk is of a "collective approach" to this goal, i.e. of a joint movement by the major European currencies. It is evident, however, that in this movement sterling must combine the roles of spearhead and lynchpin. Sterling is the currency in terms of which something like half the world's trade is transacted and in which, therefore, appropriate working balances are maintained by banks and traders in every country in the world; it is therefore upon sterling that the strains of convertibility will be concentrated. Many Continental politicians and bankers may have been more vocal in their support of the cause than any British spokesman, but even the Germans have been careful to point out that they will only move to convertibility for the Deutsche Mark five minutes after the step has been taken by London.

Since the convertibility of sterling is the key to the whole problem, it will greatly help the discussion of what emerges from the London meeting—and of what later will be decided in Washington at the IMF meeting and in Geneva when the General Agreement on Tariffs and Trade is reconsidered and re-written—to inquire how near to convertibility sterling has already approached and whether, in fact, the present clamour may not be knocking at a door that is already ajar.

The answer to this question does not lie merely in the facts of exchange control and the technical facilities that now exist for converting sterling, whether resident or non-resident, into other currencies. It lies also in the facts of import policy and, in particular, of the operation of import licencing and of discrimination against imports from dollar countries. Nowhere within the sterling area is exchange control the instrument of import policy. If imports have been licensed or are admissible under open general licences, any foreign exchange that is required for them is provided automatically. That is true not only of the United Kingdom but of the rest of the sterling area. The RSA countries have automatic access to the central pool of foreign exchange maintained by the Exchange Equalisation Account in payment for any imports they sanction. To that extent, therefore, the sterling balances of these countries are (and always have been) convertible.

Judged, however, by this test of freedom to import, the progress that has been made by sterling towards convertibility is still modest. It is true that about half the dollar goods that enter the United Kingdom come

in free of any import restrictions. Most of the staple commodities such as cotton, oil and grains are imported into the United Kingdom on open general licences, and even though they have to be paid for in dollars, they do not have to overcome any discriminatory hurdles. But the rest of Britain's imports from the dollar countries remain much hampered by import licensing. There are many types of goods that Britons might wish to buy from the United States, goods ranging from motor cars to textiles, for which licences are still unobtainable. If, therefore, the British and Commonwealth concept of the collective approach to convertibility is one in which that objective is subordinated to the desire to maximise international trade, a great deal more remains to be done in dismantling the discriminatory restrictions on imports into the sterling area before genuine convertibility of sterling is achieved. This is an issue on which the American delegation to the London talks will have spoken in very much the same terms as the Americans spoke during the Anglo-American financial negotiations of 1945. There is this to be said for their exhortations on nondiscrimination: it is only after a further dismantling of the existing restrictions that the real capacity of sterling to withstand the strains of convertibility, and to justify the present rate of exchange, can be assessed. So far as import policy is concerned, therefore, the gap that remains to be bridged before genuine convertibility is attained is still considerable—though it has been narrowing in recent months.

The claim that convertibility is an all but accomplished fact usually rests on the more technical and financial aspects of the exercise, namely on the ability of holders of sterling to convert it into any other currency, including dollars. In considering this problem two distinctions have to be made. The first is between sterling held by residents and non-residents of the sterling area, and the second between sterling that is the product of current and of capital transactions.

The resident of the sterling area must still view convertibility as a distant and hazy prospect. He is still hemmed in by exchange control and is likely to remain so for a considerable time to come. He still has to resell to Exchange Control the foreign exchange proceeds of his sales in most non-sterling countries. He is severely restricted as to the amount that he can take with him for travelling in non-sterling countries; and, for his pleasure travel, the whole dollar world is still forbidden ground. If he emigrates, the amount of capital he can take with him is restricted. The resident who chooses to live in a non-sterling country will be fortunate if he succeeds in transferring to his foreign domicile—even if he has a substantial income in sterling—a larger part of that income than the derisory annual travel allowance. These restrictions on resident sterling are maintained in order to prevent the export of domestic capital. If all restrictions were taken off the travel allowances and if exporters did not have to offer their "specified" currencies to the Bank of England, the new freedom would provide wide gaps for the outflow of domestic funds. Some restrictions on the export of capital must probably remain as part of the permanent structure of economic organisation in a country as heavily burdened by taxation as is the United Kingdom; the mechanism of exchange control as applying to current transactions is therefore likely to remain in being for a long time to come. It is true that the British resident can now buy dollar securities without paying any appreciable premium for the privilege. This, however, he can do only in so far as other residents are feeding the supply of these securities; any sudden rush into dollar securities by residents of the sterling area would cause a rapid resurgence of the premium at which these securities are quoted in the London market.

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The approach to convertibility for sterling held by non-residents has been much more impressive. The great bulk of the sterling that flows into American hands has always been automatically convertible into dollars. And all other current sterling acquired by non-residents is now, with very minor exceptions, freely transferable throughout the non-dollar world; but it cannot be transferred from a "transferable" to an American account. Transferable sterling can, however, be converted into dollars in free markets that function in many financial centres, though not in London. Through those markets it has this week been convertible into dollars at a rate of around $2.76½-77. Moreover, since the advance from strict bilateralism in Britain's payments arrangements and the reopening of free commodity trading over the whole world, there has been an inevitable loosening of exchange control and a loss of efficacy in its performance. The result has been that any non-resident acquiring current sterling—or even capital sterling—has been able to exchange it into any currency he wanted, and in recent months he has been able to do so almost without loss.

This *de facto* ability to convert is not, however, tantamount to formal convertibility. In the first place, the facilities obtainable through these free markets in transferable and security sterling involve no binding commitments on the part of the Exchange Equalisation Account. This is not convertibility of the kind that confers direct access to the gold and dollar reserve. The rates at which these free dealings in sterling have taken place have approached parity; but if there were to be increased pressure on transferable sterling, it would reflect itself in a widening discount and not in a drain—or, at least, not in any corresponding and direct drain—upon the reserve. Secondly, since there is no official commitment to convert such sterling into dollars, there is no temptation for the non-dollar countries concerned to regard their sterling balances as the equivalent of dollars and, therefore, to loosen their restrictions on dollar imports on the confident assumption that they will be able to use their sterling to pay for those imports.

It is sometimes suggested that the indignity of having sterling quoted and dealt in (even though at parity) in these "hole and corner" markets could be removed by tolerating a market in transferable sterling in London. Such a move has sometimes been proposed as an "administrative" step towards convertibility. It would, however, be much more in the nature of a short-cut to complete convertibility—on the basis of a fluctuating rate of exchange. A market in which transferable sterling could be converted into dollars in London would imply freedom to move sterling from transferable to American accounts. This would be tantamount to a declaration of convertibility, though at rates that might float well outside the present spread of official rates.

The approach to the convertibility of non-resident sterling and the narrowing of the discount on transferable sterling have been considerably helped by the freeing of staple commodity markets in Britain. In many of these markets both the resident and non-resident can now buy in sterling, irrespective of the currency in which the goods were originally bought. For commodities with a substantial dollar content, and notably for grains and cotton, a general rule is that re-export of goods originally paid for in dollars can be made only against payment in dollars. But this rule is being gradually relaxed; a significant illustration of this trend has been provided this week by the permission given to sugar merchants to resell in terms of any currency sugar that may have cost dollars. Even where the "dollar-for-dollar" rule obtains, as in cotton and grains, the fact that imports for domestic consumption can be made without reference to the country of origin and to the currency in which payment was made has involved a considerable approach to the goal of convertibility.

If, for example, non-residents had excessive holdings of sterling and were thus led to buy sterling wheat and bid it to a premium, the result would be that the domestic buyer would concentrate his purchases on cheaper dollar wheat. The freeing of commodity trading has provided scope for commodity arbitrage through "cheap" sterling, and it is largely through the functioning of these markets that world prices in staple commodities have become more closely integrated and that at the same time the discount on "cheap" sterling has virtually disappeared. It is, in fact, through the operation of these free commodity markets that the greatest progress towards effective convertibility of sterling has been achieved.

But even when these several trends have been rated at their maximum worth, and when the weight has been given to the fact that sterling is now in comparatively short supply overseas and stands well in the free markets, it remains clear that, on the wider tests of what constitutes convertibility, there is still a considerable gap between the *de facto* facilities that exist today for non-residents and convertibility *de jure*. And it is to the possible effects of *de jure* convertibility that the discussions at this week's meeting have been addressed. The distinction between the two is still of fundamental significance. But it is also clear that a retreat from the "administrative" convertibility that exists today would be much more difficult and damaging to secure than would have been true two or three years ago, when the whole system had been much less fully developed, and when no such superstructure of confidence and hope had been erected upon it as that which has grown up in recent months.

Profits in Prospect

FOR the first time since *The Economist* began to analyse company profits in 1908, the accounts of over a thousand companies have been received in a single quarter and put through the statistical mill. The profits and balance sheets of 1,007 companies, published in the quarter to June 30th, are collated on pages 229 and 230. Well over three-quarters of the 822 industrial companies caught in this sample drew up their accounts at or after December 31, 1953, and these include most of the leviathans of British industry and of international trade. Their reports cover a year in which industrial production rose by about 6 per cent, bringing with it an increase of over 9½ per cent. in the combined trading profits of the 1,007 companies. This advance, from £735 million to £805½ million, tallies closely with the 9 per cent increase in profits reported by the 537 companies that issued their accounts in the previous quarter.

This was part of the ground swell that sent the rising tide of equity values rolling along Throgmorton Street. Bigger dividends fed the current. In all, the 1,007 companies paid out in net equity dividends nearly £94 million, compared with their previous year's payments of £80 million. An unknown portion, certainly well under £4 million, of the apparent increase of £14 million, was due to the change in the standard rate of tax in the 1953 budget. In the previous year the interim dividends and a few of the early final payments bore the old 9s. 6d. rate. The companies, too, fed the current of Stock Exchange buying by investing more of their resources in quoted securities. As raw materials became more readily available and prices steadier, the task of providing working capital became less formidable both in fact and in prospect. The 1,007 companies still had to carry stocks worth over £1,508 million, but this figure was only £6 million higher than their commitments a year earlier; the engineering and iron and steel groups alone added about £12¾ million to their stocks. They

were thus able with the help of ploughed back profits to reduce their bank overdrafts from £169 million to £155 million and to reinforce their cash balances, bringing them up from £544 million to £565 million. They were also able to add nearly £5½ million to their holdings of gilt-edged securities (carrying the nominal value of the portfolios up to £173 million) and over £28 million to their portfolios of other quoted securities, bringing the total up to £269 million.

Greater liquidity, higher profits and a genuine feeling among many directors that the shareholder should have a fairer crack of the whip all contributed to the increase in dividends. Only among the rubber companies, whose profits inevitably fell sharply, were equity dividends smaller than in the previous year. But not all industrial groups shared in the rise in profits. The shipping, engineering and electrical manufacturing groups, reported declines in trading profits, while the profits of the tobacco, iron and steel, "miscellaneous manufacturing" and oil companies hardly changed. The biggest advances, apart from those reported by the tea companies, came as expected—from the textile companies and from those other consumer trades whose earnings are well back along the road to recovery. Profits in the capital goods industries (with the notable exception of the building industry) merely held steady following a long period of unbroken advance.

In outline that was the statistical reflection in the mirror. But, like Alice, the investor has to go through the looking glass. There he will see an orderly, and

PROFITS, PROVISIONS AND DEPRECIATION (£'000)

	Reports Published April to June, 1954 — 1,007 Companies		Reports Published July, 1953 to June, 1954 — 2,781 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit	735,062	805,676	1,523,351	1,577,312
Income from investments	45,888	53,962	101,084	111,475
Other current income	997	1,061	1,989	2,195
Non-recurring credits	30,105	28,821	64,956	78,950
Total Income	**812,052**	**889,520**	**1,691,380**	**1,769,932**
Repairs and maintenance	4,444	5,137	9,062	9,982
Depreciation	136,913	153,042	243,950	270,637
Income tax (excl. profits tax)	294,568	315,472	597,225	613,302
Profits tax	56,418	60,053	156,177	134,134
Directors' emoluments	20,077	21,214	50,294	52,336
Administrative charges, etc.	8,202	8,371	26,672	28,477
Contingencies, provisions, etc.	39,593	37,841	99,601	88,824
Pensions	12,443	13,638	22,367	23,213
Minority share in profits	11,570	12,536	19,140	19,565
Profits retained by subsidiaries	55,689	58,910	106,483	107,248
Debenture interest	12,698	14,570	31,856	35,526
Preference dividends	16,513	17,102	32,722	33,365
Ordinary dividends	80,163	93,967	166,081	194,254
Revenue reserves, etc.	54,936	72,062	113,973	137,204
Brought in (parent company)	125,986	134,321	273,338	289,115
Carried forward (parent company)	134,321	139,926	289,115	310,980

ANALYSIS OF BALANCE SHEETS
Published April-June 1954 (£'000)

	1,007 Companies — Previous Year	1,007 Companies — Latest Year		1,007 Companies — Previous Year	1,007 Companies — Latest Year
Capital (Parent Companies):—			**Fixed Assets:—**		
Debenture	314,180	348,174	Land, property and plant	2,443,307	2,734,938
Preference	458,297	467,621	*Less* depreciation	790,993	883,463
Ordinary	885,075	969,102		1,652,314	1,851,475
	1,657,552	1,784,897			
Reserves and Surplus:—					
Capital reserves	711,446	679,794			
Revenueres and carry forward	1,134,165	-1,244,576	**Trade Investments**	343,469	357,244
Total Capital, Reserves and Surplus	3,503,163	3,709,267			
Outside Interests in subsidiaries	163,783	173,951	**Intangible Assets**	160,793	98,155
Current Liabilities and Provisions:—			**Current Assets:—**		
Bank overdrafts and loans	169,261	155,206	Stocks	1,508,359	1,508,644
Creditors, etc.	1,225,126	1,257,528	Debtors	791,587	838,856
Future taxation	229,757	245,862	Gilt-edged secs.	167,560	173,204
Other provs.	115,273	120,250	Other marketable investments	240,739	269,005
			Cash	544,242	565,481
	1,736,417	1,778,846		3,246,787	3,355,190
	5,403,363	5,662,064		5,403,363	5,662,064

PROFITS AND EARNINGS BY INDUSTRIES
(£'000)

	1,007 Companies — Total Income		Earnings for Ordinary Capital*	
	Previous Year	Latest Year	Previous Year	Latest Year
Consumption Trades :—				
Breweries	8,130	8,767	1,591	1,869
Clothing and footwear	8,878	11,199	2,960	3,425
Entertainment	2,434	2,369	425	571
Food and confectionery	94,851	116,203	24,554	30,146
Hotels and restaurants	6,649	6,360	948	1,201
Shops and stores	18,059	21,182	4,116	5,250
Tobacco	51,998	51,772	18,379	20,013
Total	**190,999**	**217,852**	**52,271**	**62,475**
Capital Industries :—				
Building	30,133	34,419	6,078	8,119
Engineering	69,264	68,524	14,884	17,752
Iron and steel	17,231	18,185	4,850	5,924
Shipbuilding	6,095	7,380	1,671	2,100
Total	**122,723**	**128,508**	**27,457**	**33,895**
General Industries :—				
Chemicals and paint	78,539	96,726	15,405	22,737
Electrical manufacturing	34,999	35,158	7,315	9,622
Motors, cycles and aircraft	30,785	41,234	5,567	6,595
Newspapers, paper and printing	31,513	37,405	9,025	10,585
Miscellaneous manufacturing	60,416	61,403	13,914	15,175
Total	**236,242**	**271,926**	**51,226**	**64,714**
Utilities and Services :—				
Canals and docks	621	559	158	159
Electricity supply	278	368	49	152
Gas	990	1,065	373	471
Shipping	63,342	51,864	11,783	9,148
Telegraph and telephone	1,365	1,529	320	421
Trams and buses	5,408	6,238	1,441	1,453
Warehousing	669	827	Dr. 69	232
Waterworks	—	—	—	—
Total	**72,667**	**62,450**	**14,048**	**12,636**
Textiles :—				
Cotton	14,720	17,036	4,852	5,110
Silk and rayon	4,890	7,566	870	1,721
Wool	4,720	5,358	1,508	1,634
Other textiles	5,495	6,663	707	1,737
Total	**29,825**	**36,623**	**7,937**	**8,202**
Fuel :—				
Coal	1,178	869	440	322
Oil	119,778	127,649	34,787	35,482
Total	**120,956**	**128,518**	**35,227**	**35,804**
Plantations :—				
Rubber	8,804	6,289	1,909	1,190
Tea	3,177	8,368	332	2,551
Total	**11,981**	**14,657**	**2,241**	**3,741**
Finance :—				
Finance and land	10,531	11,395	3,586	3,308
Trusts	16,128	17,591	5,130	5,769
Total	**26,659**	**28,986**	**8,716**	**9,077**
Total, All Groups	**812,052**	**889,520**	**199,123**	**230,544**

* Includes amounts retained by subsidiaries attributable to parent company.

not an incomprehensible, game of chess in progress. The opening moves have been made to the accompaniment of chairmen's comments that profits in the current year will be "satisfactory"—as good as those reported in 1953 or perhaps a little better. The end game cannot be exactly predicted but, at least, the danger of the White Knight of the American recession jogging across the board, knocking the pieces over, now seems more remote. Production so far this year has been running between 6 and 7 per cent higher than a year ago and it is a reasonable assumption that the trend in profits will follow in its wake. But the rate of increase in profits may begin to flatten out within the next twelve months. In the textile and consumer goods trades, the investor can expect the recovery in profits to continue, but a year from now it may not be so marked. In the capital goods industries, where production is high, he can expect profits at least as good as those just reported; but any sharp advance seems ruled out by the recent wage increases and by more competitive prices overseas. Within these broad categories there are, perhaps, some likely winners, including the building, paper, motor and aircraft groups.

One question that the investor must ask himself is whether the first six months of 1955 will produce a spate of dividend increases to match those of this year. Recent dividend increases were both a reaction to the period of undue restraint and a reflection of the greater feeling of confidence and stability. But even if that confidence tempts industry to tie no more than modest funds in additional holdings of stocks, British industry may still be inclined to regard this year as an opportunity for fixed investment (requiring the support of profit retentions and liquid resources). The Chancellor's investment allowances and lower interest rates may well encourage industry to take this view. Indeed, the present high rate of production in the iron and steel industry already suggests that capital investment has been given a high priority. The demise of EPL and the institution of investment allowances will leave the companies better off, but how much of that wealth will go into the pockets of the ordinary shareholder is a matter for conjecture. To this there may be a footnote: if another Labour government seemed in prospect a year hence, dividends would be liberally increased for fear of dividend limitation when it came into power. But then share prices would be falling, too.

Naturally if earnings are high and seem likely to remain so, investors will be content with more modest yields, but shareholders must now consider how far the rise in equity values is a reflection of the actual increases in earnings and dividends, and how far it also discounts further increases. The slack season of dividend and profit announcements is now at hand and gives them the opportunity for re-assessment. The profits and dividends published in the next three months should be as good as those of recent months, but they may not be so stimulating to market values. A gentle climb in share values over this period is perhaps what the investor should hope for. He might be wrong if he counted on the giddy rise in prices continuing indefinitely at its recent pace.

Business Notes

Official Tail and Market Dog

THE pace in the gilt edged market has grown even hotter in this past week, and has actually diverted interest—in market discussion, if not in dealings—from the still booming industrials. A succession of favourable influences has impelled this advance—the confident mood of the Chancellor in his pep talk to a Conservative gathering at the weekend, the spreading effects of official skill in the two conversion operations, and the evident progress of M. Mendès-France's negotiations for a settlement in Indo-China. On Wednesday, too, the market drew lavish conclusions from a reduction of the rate of interest on tax reserve certificates, while on Thursday a new and potent stimulus came from the results of the second conversion, the period for which had closed two days before.

The outcome of this operation is a worthy successor to last month's cash-and-conversion issue of the 2 per cent 1958-59 bonds. No less than £413 million, or over three-quarters, of the £535 million of 1¼ per cent Serial Funding Stock due next November was tendered for conversion, which means that in these past few weeks the authorities have dealt with the bulk of this year's obligatory maturities and some 90 per cent of the £321 million of Defence Threes that were only optionally redeemable. Almost exactly two-thirds—actually £274 million—of the latest conversion applications were for the new 9-10 year stock, the 3¼ per cent Exchequer stock, 1963-64, which is of somewhat larger amount than had at first been expected. A substantial proportion of these applications certainly

came from the "departments," but it can be presumed that the large official purchases of Serial Funding stock in recent weeks have been comfortably offset by sales of other stocks at rising prices. The remaining third of the total conversion applications was for the new 45-50 year stock, 3½ per cent Funding 1999-2004; the £139 million thus subscribed much exceeded the first estimates. The preponderant part of this experimental issue has unquestionably been subscribed by official agencies, but its size suggests that some institutional investors have shown interest at the very outset, instead of waiting for the Government broker to offer it from official portfolios. It also seems reasonable to deduce that the behaviour of the market—especially in irredeemable stocks—has induced the departments themselves to take up a larger amount than they might at first have expected to do.

The market, however, is now really trying to make the tail wag the dog—or, rather, it is assuming that that is what the authorities must try to do. But animals of this peculiar versatility dwell only in Daltonian circuses where whip-cracking and shouting bring them to heel. The fact that the authorities may hope to sell to highly specialised institutional investors a few tens of millions of 45-50 year stock on a yield of around 3⅝ per cent is no basis for arguing that they will soon be able to cope with the refinancing of over £1,900 million of callable 3½ per cent War Loan that is widely held by the general public. Yet it is upon this dog-wagging hypothesis that most of the speculative buying of irredeemables is now being based. War Loan has gained some 3 points in ten days and now stands at well over 90. The Electricity Authority and the Gas Council must be thankful, now, that they had to keep their places in the would-be borrowers' queue. The gilt-edged prospect may be set fair, and in good times the speculative buyer invariably forgets the value of a date. But British weather is unpredictable; and the speculators should be reminded that two years ago War Loan stood at under 73.

World Bank's Second Visit

With the support of six of London's foremost issuing houses, the International Bank steps out into a "bull" market to launch its second sterling issue—£5 million of 3½ per cent stock 1969-74 at a participated issue price of £98 and a yield to redemption on the last date of £3 12s. 10d. per cent. The terms—15 to 20 years on a 3½ per cent stock at a discount—are an almost exact replica of the Bank's previous sterling issue, the 1956-71 issue of 1951. That stock has been a great success: issued at £97 it now stands at a middle price of £99 and its redemption yield to the latest date is down to £3 11s. 7d. The difference between the two stocks is that whereas the 1951 issue was made to yield about 5s. per cent more than on a comparable gilt-edged stock, it is now necessary to concede only 2s. 6d.

The Bank deserves and will achieve success for its issue. It is non-trustee and not guaranteed by any government. But it is entirely satisfactory for the most careful investor and a gift to those who are not liable to the standard rate of tax. It carries the great boon of exemption from tax deduction at source—not of course exemption from inclusion in the tax return of the British resident holder. But non-resident investors and the charities will seek it out. The British Treasury does not now give that concession on its own stocks. Nothing but the Bretton Woods Agreements obtain it for this issue.

The intention is that the proceeds of the issue shall be used to meet the needs of the Bank's borrowers for sterling for the purchase of goods and services in the United Kingdom. In other words it finances capital exports from the sterling area to non-sterling areas, perhaps a surprisingly timed operation when the British Government has recently agreed to make up to £60 million of its sterling subscriptions to the Bank available for lending in the Commonwealth and when the Federation of the Rhodesias and Nyasaland has recently turned to dollar sources for its first loan. That is a problem about which investors need not worry in assessing the loan. For them the main security is the 80 per cent uncalled capital of the bank which the 57 member governments are bound to provide if necessary, and which is almost equal to an indirect guarantee by those governments.

Freedom for Sugar Traders

Raw sugar has now joined the ranks of the "dollar" commodities that can be freely sold in London for payment either in sterling or the currency of the overseas buyer. Participants in the official market scheme are now also free to buy and hold stocks of refined sugar in any part of the world. The one remaining restriction is that foreign refined (but not raw) sugar originating in the dollar area must be sold for dollars. Presumably this restriction is designed to help the Ministry of Food to dispose of its stock of raw sugar via Britain's export trade in refined. This latest extension of the convertibility of sterling will do much to restore freedom of trading in the "free" world market, and gives the London sugar trade the opportunity to re-establish itself fully as the centre of that market. The trade's opportunities are enlarged and it can reopen a futures market in raw sugar. The dollar cost of the new facility—if indeed it does cost dollars—is considered to be amply compensated by the increased usefulness to foreigners of London's commodity markets and of sterling as a means of payment.

It is hoped to begin trading in futures before the end of this year, with March as the first delivery month. The contract will probably be similar to its prewar counterpart, with cif London or Liverpool, for minimum lots of 50 tons, as the basis. The major anxiety concerns the huge official stock of raw sugar overhanging the market, but it is expected that arrangements for the orderly disposal of this stock will be announced fairly soon. Initially, the scope of the futures market must be much narrower than before the war, for the Ministry will still be the sole buyer of Britain's domestic requirements of imported sugar—about 2 million tons a year. But the market should be broad enough to be sound. British refiners need about 650,000 tons of raw sugar a year for refining and re-export. Hence there should be an ample spot stock, and the big international trade which British firms do outside these shores should ensure that the market will attract sufficient foreign support. Participants in the sugar market scheme will be able to arbitrage between London and New York. A futures market is also to be opened in Hamburg, trading in refined sugar, fob Hamburg or other Continental ports.

But Less Freedom at Home

Imports of raw sugar for Britain's domestic requirements are unlikely to be returned to private hands before the middle of next year. Even then, the domestic trade will be far removed from a free market. The trade in imported sugar—and in home-produced as well—is heavily circumscribed. Under the Commonwealth Sugar Agreement the Government guarantees a market in Britain for up to 1,568,000 tons of Commonwealth sugar a year, at a fixed price which is now appreciably above the world price. A further quantity of up to 730,000 tons a year finds a market in Britain or in Canada under the benefit of Imperial preference. The Government is also a member of the International Sugar Agreement, which is designed to maintain the world price within a range of 2.35 and 3.45 US cents a lb, fas Cuba, and limits the total movement of sugar under the Commonwealth Agreement. The Agriculture Act of 1947 guarantees the home producer of sugar beet a minimum price and a market for his crop. The Sugar Industry Acts of 1936 and 1942 regulate the home beet industry and the British Sugar Corporation, which processes home beet into raw sugar and refines over half its output of some 700,000 tons of raw sugar a year. A part of this legislation, the Sugar Refining Agreement between the Corporation and the other refiners, regulates the marketing of sugar for home consumption at agreed basic prices. Competition from imported refined sugar is also restricted by a "penal" rate of duty. The international agreements will certainly continue, and radical alterations in the domestic agreements are unlikely.

The chief problem is to ensure that Commonwealth fixed price sugar and home production are fully taken up in competition with the cheaper sugar available on the world market. No system of deficiency payments appears to be possible in sugar; it would be unacceptable to the Commonwealth producers and impracticable for the home beet industry. One of several possible solutions would be for the Ministry, or another department, to sell Commonwealth fixed price sugar to the trade at the world price, and to recover the loss from public funds or by increasing the import or excise duties. Either the consumer or the taxpayer must in the end foot the bill. For the home industry, the existing powers to ensure the disposal of the crop may be maintained; and the effect on the Corporation's income of a lower price for raw sugar may be dealt with under the present scheme, whereby the Government takes the benefit of any "surplus" or makes up any "deficit." Some changes in the legislation, however, will almost certainly be required, and may be announced in the autumn.

First Half-Year's Trade

British exports dropped by £11.2 million to £217.7 million fob last month. Although June had 24 working days, two fewer than in May, the drop still appears to be rather sharp, for exports in April, which also had 24 working days, were valued at £224.9 million. Nevertheless, the average monthly value of exports in the second quarter, at £223.8 million, was almost equal to the first quarter's average of £224.4 million. The improvement has thus just, and only just, been maintained. In the last three quarters the average monthly value of exports has been disturbingly stable, albeit high. In comparison with the first half of 1953, however, exports this year have been seven per cent higher—and imports one per cent lower.

Imports in June were valued at £291.0 million cif including £7 million worth of aircraft received as a gift from Canada. Excluding that gift the figure of £284 million was still £3.6 million higher than in May—a substantial increase if allowance be made for the short month. After a long period of stability, the average monthly value of imports rose by about £11.0 million to £284.6 million in the second quarter. In view of the steady growth in British industrial activity the rise might have been expected to occur earlier; its gradualness owes much to terms of trade that can hardly remain so favourable.

With re-exports almost unchanged at £8.8 million, the gross visible trade deficit in June rose sharply by £22 million to £64.5 million. The average deficit for the first half of 1954, at £46.1 million, was still 28 per cent less than in the same period of 1953. Exports to North America in June fell by £2 million to £23.5 million; shipments to the United States again rose slightly to £12.8 million but shipments to Canada fell by £2.2 million to £10.7 million. The monthly average of exports to North America in the second quarter was 10 per cent higher than in the first, but the average for the first half of the year was 12 per cent less than a year ago.

Towards a Fuel Policy

Certain unwonted enthusiasts for economic planning from the Conservative back benches used the debate on the second reading of the Gas and Electricity (Borrowing Powers) Bill last week to ask the Government when it proposed to issue a White Paper on capital investment. They obtained no answer; the Treasury took care to have no spokesmen on deck. Nor did they get from Mr Geoffrey Lloyd any inkling of the relation between the scale of capital expenditure that he envisaged for the nationalised fuel industries and the total amount of resources that the Government expected might be devoted to investment in the British economy over the next few years. What they did get was an extremely significant outline of the Government's policy for the future development of the fuel industries.

The Minister estimated, at the outset, that between now and 1960 some £450 million would be invested in the coal industry, £366 million in gas, and £1,440 million in electricity. This massive investment in energy would supply a demand for electricity estimated to be by 1960 some 54 per cent higher than in 1953, and a demand for gas 16 per cent higher; the Minister did not suggest how much more coal would be wanted or could be supplied by then. The two secondary fuel industries, however, would together require some 16 million tons extra. Mr Lloyd said that obviously the load on coal would have to be lightened. Construction of nuclear power stations of an advanced type would be undertaken before 1960, but it would be some time before

nuclear power base-load stations could make "a massive contribution." Another fuel to lighten the load on coal was needed, the only possibility being oil. At one power station that is being built, Marchwood on Southampton Water, the Esso Petroleum Company would supply oil at a price that made the cost of generation from heavy fuel oil the same as from coal. Marchwood was, therefore, to be equipped for coal or oil firing; and a number of other stations, which at the maximum could account for some 10-11 million tons of coal a year by 1958-59, might also be equipped for dual firing. The gas industry was to erect 13 or more plants for the complete gasification of fuel oil, which might save about 400,000 tons of good carbonisation coals a year.

Investment in Fuel

OF the £2,256 million that it is proposed to invest in the nationalised fuel industries between now and 1960, the Gas Council expects to borrow some £274 million from the public and the British Electricity Authority about £1,000. It is not clear how much of the £450 million to be invested in coal will be provided from the National Coal Board's internal resources, but none of it, under the present system, would be raised by any public issue; the Coal Board enjoys the power to obtain its new capital from temporary advances by the Minister of Fuel and Power that are later funded into long-term loans. The two secondary fuel industries' public issues of stock are, of course, guaranteed by the Treasury.

The bill introduced last week will raise the Gas Council's borrowing powers from £250 million to £450 million, and those of the British Electricity Authority from £700 million to £1,400 million. It comes only just in time for the two authorities. Authorisations issued by the Treasury this week for borrowing during the third quarter of this year would leave only £10 million of reserve borrowing power for gas, and £45 million for electricity within their existing legal limits.

Hire Purchase Half Free

THE Board of Trade's decision to revoke all its statutory instruments controlling hire purchase trading and leave that type of trading alone was no great surprise to hire purchase traders, though it took the Stock Exchange by surprise and lifted the shares of the companies most likely to be affected. Those were the radio shares and the shares of the hire purchase finance companies, and not the furniture and clothing trades engaged in hire purchase. The Board of Trade was in a difficulty. It has been controlling hire purchase by means of a statutory instrument which required minimum initial deposits of 33⅓ per cent and maximum contract lengths of 18 months (for bicycles the figures were 25 per cent and 12 months). This applied over a selected range of goods which did not include domestic furniture, in which there is a large business. The recent case of Regina *v.* Proffitt legalised an extended hiring agreement on wireless sets with three options at its end: (1) If the order was rescinded the goods passed to the hirer. (2) If control remained the customer could continue at a pepper corn rent, or (3) The customer could continue at a rental including free maintenance. It therefore became possible to make extended hiring agreements for longer periods and without the 33⅓ per cent deposit. The Board of Trade must have realised that its control order was dead and that it must either devise a new statutory instrument or abandon control.

Company	Price July 7	Price July 14
Finance Houses:		
U.D. Trust (£1)	121s. 3d.	126s. 3d.
Olds Discount (5s.)	27s. 6d.	30s. 0d.
Mercantile Credit (£1)	85s.	88s. 9d.
Bowmaker (5s.)	20s. 6d.	20s. 6d.
Radio and T.V.:		
Cossor (5s.)	8s. 7½d.	9s. 0d.
Cole E.K. (5s.)	32s. 9d.	35d. 1½d.
J. & F. Stone (5s.)	22s. 6d.	26s. 9d.
Furniture, etc. (Self Financing):		
Gt. Universal (5s.)	84s.	83s. 0d.
Clothing:		
Grattan Warehouses (5s.)	51s. 1½d.	51s. 0d.

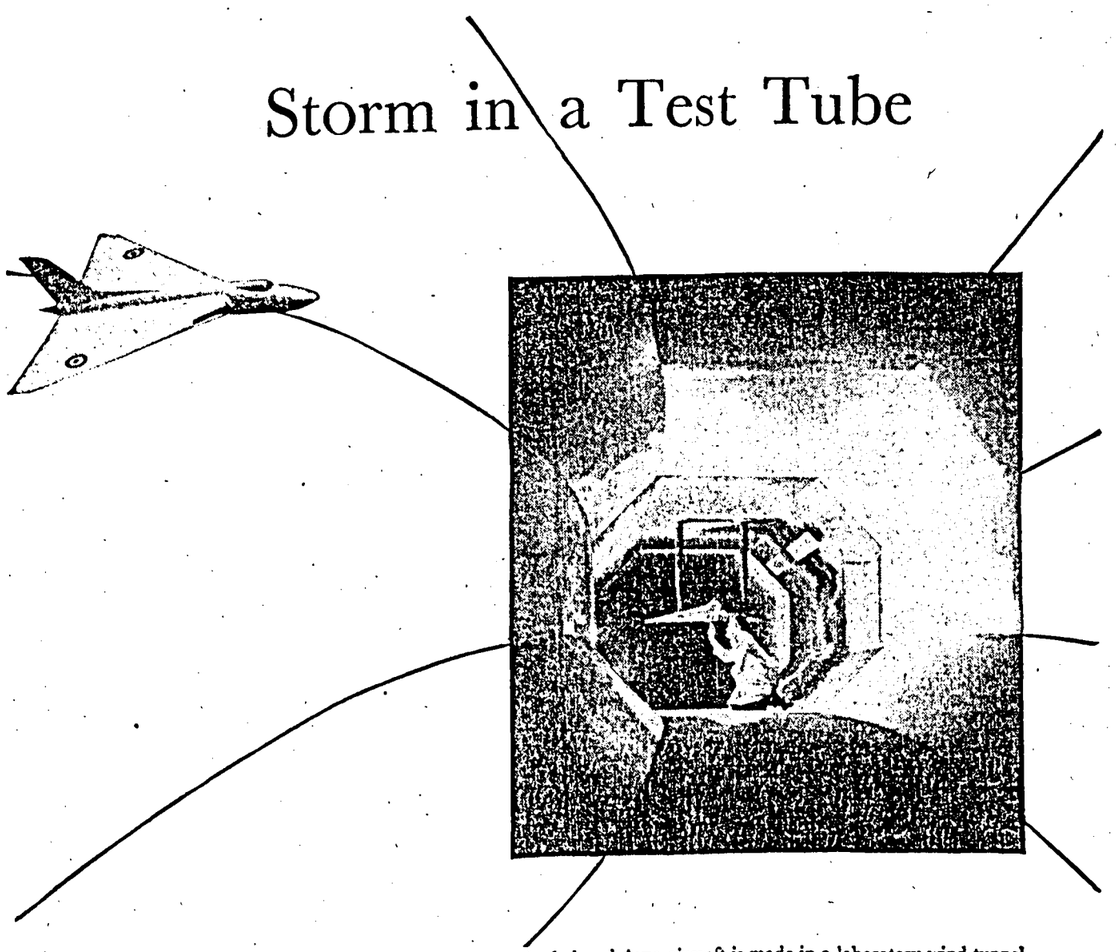
Oddly control has been abandoned by the Board of Trade but not by the Treasury. The Treasury request to the banks of 1952 that they should cut their loans to hire purchase finance houses by 10 per cent and its instructions to the Capital Issues Committee not to allow them to raise new capital remain in force. The immediate consequences seem clear. Hire purchase sales pressure in the goods that have so far been controlled will tend to increase. Initial deposits will tend to fall from 33⅓ per cent to 25 per cent and hiring agreements to be lengthened from 18 months to two years. But for the moment money will be relatively scarce for hire purchase finance and therefore dear. The opportunities for the swarm of small new finance companies which are uncontrolled because their capitals are under £50,000 remain bright, until Treasury control is also withdrawn as ultimately it must be.

Foreign Exchange Commissions Cut

AN appreciable cut in the cost of foreign exchange dealing in London will become effective from next Monday. For many years the authorised banks have, by agreement among themselves, charged a commission of ⅛th of one per cent to their clients in respect of purchases or sales of foreign exchange. This commission was agreed, and its amount fixed, at the time when the authorised banks acted purely as agents for the Bank of England and when, therefore, the commission was their sole source of revenue from foreign exchange business. Since 1951, however, the authorised

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Storm in a Test Tube



The first test flight of every newly-designed Avro aircraft is made in a laboratory wind tunnel. The air, many times faster than a tornado, hurtles past an exact model of the aeroplane. A delicate balance, measuring the forces on the model to an accuracy of one ounce, shows designers how the new design will perform in actual flight. In addition, giant rigs are constructed so that complete full scale replicas of the aircraft systems can be tested and specimen components tortured to breaking point before flying trials begin. Inevitable snags are thus exposed and later modification avoided. Shown in the wind tunnel of our picture is a model of the Avro Vulcan, the world's first 4-jet Delta Bomber. This is the aircraft whose revolutionary planform best fulfils the needs of long-range, high altitude flight with heavy loads at near-sonic speeds. The success of the audacious new shape is a fine tribute to the pioneering genius of the Avro team: to the thinking of the designers and technicians; to the painstaking care of the model makers and those who use the models; to the know-how of the production engineers and the skill and enthusiasm of the men and women in the workshops; to the research engineers, specialists and test pilots. Thanks to these and a courageous and virile management, the Avro Vulcan is now in super-priority production for the Royal Air Force.

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banks have been given the right to deal among themselves within the permissible spread of official rates, and during this period they have earned both the commission and their normal dealing turn. It is not surprising, therefore, that some undercutting should have taken place. It has come mainly from merchant and American banks that cater chiefly for large business and that have been prepared to trim or waive their commission and depend for their profits on the dealing turn. The clearing banks, which must necessarily handle a large volume of small foreign exchange business for their ordinary customers, have become increasingly concerned at this competition. They have now reached an agreement with the object, and in the hope, of avoiding further rate-cutting. This agreement, to which all authorised banks subscribe, will limit the ⅛ per cent commission to deals of £5,000 and under (subject to a special scale of charges for transactions under £100). The commission on larger deals, whatever their size, will be £6 5s., which is the ⅛ per cent on the limit of £5,000. The new arrangement provides an admirable illustration of the beneficial way in which competition can still operate. It should further serve to reinforce the position of the foreign exchange market in London.

Building Society Argument

THERE is evidence of a sharp difference of view within the building society movement on the line that should be taken on mortgage charges. Rumour has it that the big brother of the movement, the Halifax Building Society, was alone at last week's meeting of the Association's Council in arguing for a reduction of mortgage rates. The next few weeks will show whether a united policy can be evolved or whether, in its absence, the Halifax will be ready to take independent action and the others ready to hold firm in the face of it. If the Halifax cut its mortgage charges it would be obliged by the rules of the association to give at least a month's notice before making any announcement, so the outcome of the argument may not be immediately apparent.

Opinion in the movement, even among those who least welcome a reduction in mortgage rates, is that the Halifax is likely to make a move—conceivably a reduction of ½ per cent to 4 per cent—in mortgage charges. Such a reduction in its mortgage rates would imply no reduction in the rate of interest paid to shareholders in the Halifax Society since it now pays only 2¼ per cent net to shareholders. But it might force other societies which reduced their mortgage rates to cut their shareholders' interest from 2½ per cent net to 2¼ per cent. It is the responsibility of a mutual society to hold the balance fairly between borrowing and lending members, and if the present lowering of interest rates is a major trend, and not a flash in the pan, members are bound to recognise it as such.

Not the least forceful part of the argument for reduction of the societies' rates is that local authorities using money drawn from the Public Works Loans Board are now lending to house buyers at 4 per cent; no current figures are available, but there are indications that they have been doing an increased business since rates came down. The difficulty in which societies find themselves is slightly—but only slightly—increased by the fact that the "composite rate" of income tax which the societies pay on behalf of their members is expected to work out this year a few pence higher than last year's figure of 4s. 10d. in the £.

Manpower for the Boom

AT the end of May more people were at work in Britain than ever before, and by the middle of June the rate of unemployment was down to 1.1 per cent. Buoyant industrial output, and in particular the quickening of activity in engineering, was bringing about general shortages of labour in certain areas, and fairly acute shortages of skilled labour much more widely.

The labour force in "engineering, metal goods, and precision instruments" was about 69,000 larger than a year before; there were 50,000 more workers in the vehicle industries, and even the fairly stable labour force of metals manufacture was up by 4,000. Out of an increase of some 212,000 in total civil employment since May, 1953, therefore, these metal-using industries had collected about 60 per cent. Chemicals and allied trades had gained 20,000 people; the textile industries 30,000; food, drink and tobacco 14,000; and other manufacturing industries 61,000. But the basic industries, together, had a labour force 46,000 smaller; the building and contracting industries, presumably because the weather this May was worse, had 11,000 fewer workers; and though the distributive trades had swollen by 35,000 people, there had been declines in other service trades and in administration.

NUMBERS IN CIVIL EMPLOYMENT
(Thousands)

Industry or Service.	End May, 1953	End May, 1954
Mining and Quarrying	878	871
Gas, Electricity and Water	373	375
Transport and Communication	1,727	1,704
Agriculture and Fishing	1,082	1,064
Number in Basic Industries	**4,060**	**4,014**
Chemicals and Allied Trades	488	508
Metal Manufacture	551	555
Vehicles	1,123	1,173
Engineering, Metal Goods and Precision Instruments	2,559	2,628
Textiles*	973	1,003
Clothing (incl. footwear)	695	700
Food, Drink and Tobacco	859	873
Other Manufactures	1,498	1,559
Number in Manufacturing Industries	**8,746**	**8,999**
Building and Contracting	1,437	1,426
Distributive Trades	2,662	2,697
Professional, Financial and Miscellaneous Services	3,989	3,983
Public Administration	1,321	1,308
Total in Civil Employment	**22,215**	**22,427**

*Cotton 300,000, Wool 215,000, Other Textiles 488,000

Tax Certificates' Rate Cut

A NEW series of Tax Reserve Certificates became available on Wednesday and issues of certificates of the third series ceased. The new certificates bear interest at the rate of 1 per cent per annum tax free instead of the 1¼ per cent payable on certificates issued since 1952, but in all other respects the terms of issue are unchanged. Tax certificates may be tendered within two years of their date of issue in payment of income tax, surtax, profits tax, and land tax. This reduction marks another, and rather belated, adjustment of official rates to the big change that has occurred in the pattern of money rates and short bond yields in the past twelve months.

The rate on tax certificates, however, has never been highly responsive to market conditions, and only four different rates have obtained since the first issue was made in 1941. The rate then was 1 per cent; it was reduced to ¾ per cent as part of the Daltonian drive in 1946, and raised to 1¼ per cent in 1952 after the increase in Bank rate to 4 per cent. The interest has always been free of tax. Partly because of the higher level of business profits and partly because of the delay in reducing the rate, the flow of money into tax certificates has recently been unusually large. In the current fiscal year, the Treasury's net receipts under this head (up to July 10th) have amounted to £142 million, compared with only £63 million in the similar period last year.

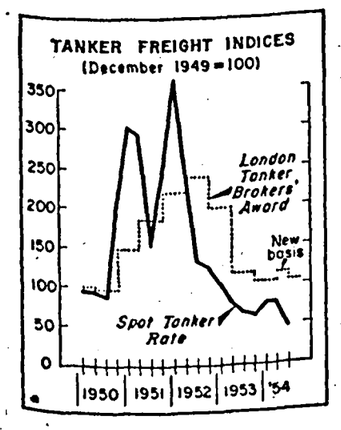
Sterling for Egypt

TWO sensible steps taken by the British and Egyptian authorities will enable British exporters to trade on an equal footing again with their competitors in the Egyptian market. Britain has now released the £10 million from Egypt's blocked sterling balances to which Egypt is entitled each year under the Anglo-Egyptian financial agreement of 1951. The Treasury is free to make the release at any time in the year, but it has normally done so early in the year. This year, however, the Egyptians' request for early release was refused—obviously on political grounds. The release now has presumably been made both as a gesture of conciliation and on grounds of realistic self-restraint.

The Egyptian Government has responded to the Treasury's action by re-introducing facilities for imports from the sterling area. It had retaliated early in the year by restricting most sterling imports and imposing a total ban on many of them. Now a long list of goods has again been made eligible for imports against sterling. The consumer goods concerned may be imported against sterling held on "import entitlement account"—that is exchange that derives from the retained earnings of Egyptian exporters and that can subsequently be used by importers. This sterling stands at a small premium. For imports of machinery and goods made to order sterling will be supplied by the authorities at the official rate. The consumer goods expected to benefit most from the relaxations are vehicles and woollens. But there should be a considerable fillip to the whole British export trade to Egypt; Britain has recently been losing ground substantially there, particularly to Germany.

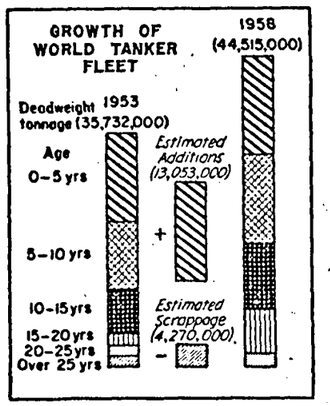
Standard Calls It Off

THE merger talks between the Standard Motor Company and Rover that have been dragging on inconclusively for five months, now seem to have broken down completely. This week's announcement is careful to point out that the merger had been regarded as a financial arrangement only, with the two companies retaining their separate identities and that both sides have come to the conclusion that "the present moment is unsuitable to carry into effect a financial merger of the two concerns, but the possibility of such an operation will not be lost sight of." One non-financial result, of course, would have been to strengthen the experience of top management available to Standard since the sad and sudden retirement of Sir John Black. Forward planning in the motor industry calls for a specialised skill and judgment that is not easily replaceable. Standard's output during June was running at the highest level yet reached by the factory—632 cars and tractors a day. But it takes perhaps four years to put a radically new model into production,



Too Many Tankers?

TANKER freight rates this month are at their lowest level since the middle of 1949. Over 150 tankers have been laid up; others have been sold for breaking up. This depression coincides with the fruition of an immense tanker building programme which is likely to unload up to 13 million tons d.w. on to the market during the next few years. If all tankers over 25 years of age should be scrapped, the world fleet at the end of 1958, according to estimates by the Sun Oil Company shown in the second chart, may exceed 44 million tons, over 40 per cent larger than the fleet in use last December.



and Standard will soon have to consider the probable replacements for its modified Vanguard and new Standard 8 models that went on to the market last year.

Buoyant Holiday Spending

HOLIDAY spending is now getting well into its stride; and so far it appears to be proceeding at a faster rate than last year. The increase of £50 million in the fiduciary issue made this week, the third of the year, has been made a fortnight earlier than usual. It raises that issue to the record level of £1,725 million, and brings the total increase since January to £150 million, compared with £125 million last year. The active note circulation (which includes till money held by the commercial banks) is now, at £1,676 million, £109 million above its level twelve months ago. This is a substantially bigger increase than the £82 million recorded in the previous twelve months, but a somewhat smaller one than the £117 million experienced in 1951-52.

The rise in the level of the note issue above that of a year ago is primarily a reflection of bigger demands for currency in the second half of 1953, in the early spring of this year and in the last fortnight. The rise in the note issue in May and June together was only a little larger this year than last —£35 million against £31 million. The pattern of the increase was, however, markedly different. In 1953 the active circulation rose by £18 million in May and by £13 million in June; this year it rose only fractionally in May and by fully £34 million in June. The evident cause of the divergence was the Coronation, which brought early holiday spending a month or so forward last year.

By the beginning of July, 1953, this special influence was presumably weakening, yet the outflow of notes into circulation has been considerably greater in this past fortnight than it was in the corresponding weeks last year—£29 million, against £22 million. Retail prices have certainly been as stable in recent weeks as they were at this time last year, so that it does appear that seasonal spending has been remarkably unaffected by the unseasonal weather.

Quiet Trading in Cotton Textiles

THE cotton textile industry is undergoing a trying time. Business in the home and several export markets is quiet. The merchant converters—who built up large commitments to make sure of obtaining their requirements when delivery periods were long—are cutting down, and the flow of orders to the mills has fallen considerably in the past two months. So far this has not been reflected in the figures of output, for the mills generally have work on hand for two months or more. In May, the latest month for which figures are available, output of cotton, rayon and mixture cloths reached an average rate of 57.48 million linear yards a week, the highest since November, 1951, and output of all single yarns was high before the holidays began last month. But the holiday period will be a blessing to some spinning mills, especially to the minority that has been forced to put a part of its output into stock. Holidays apart, the fact that orders are being received in lower volume than current production should be a positive gain to the industry, for it enables delivery dates to be reduced.

The reasons for the slackness of business appear to be basically seasonal, although there is some apprehension about the outlook in September and beyond, when buying ought to pick up again. The current level of raw cotton prices is distrusted here and abroad, and it is usual for fresh business to be delayed until the first estimate of the American cotton crop has been published early in August. Buyers are also inclined to await the result of the American Administration's efforts to introduce more flexible support prices for cotton and other crops next season. In the home market, which now absorbs about two-thirds of Lancashire's total output, sales of summer clothing have been handicapped by the poor weather. In the export markets, sales to Australia have been satisfactory, but the industry is meeting increasing competition elsewhere, particularly in some Colonial markets where India now appears to be as strong a competitor as Japan. The full force of the buyers' market has been a long time coming. During the postwar inflation price was not all-important, and during the recovery from the 1951-52 recession delivery periods were often the decisive factor. In future the volume of goods sold abroad by Lancashire will depend on its ability to be competitive on both price and delivery.

The Banks' Half Year

THE mid-year balance sheets of the clearing banks, nearly all of which are now available, reveal a striking expansion of deposits—both by comparison with the figures for mid-1953 and with those for the May make-up. This trend has been common to all the "Big Five" banks, though not to the northern institutions. Among the big banks, by far the largest movement is shown by Barclays, whose gross deposits have risen over the twelve months by almost £74 million, to £1,381 million, at which point they are only £7 million less than the deposits of the Midland Bank, which previously has always had a clear lead. Among the northern banks, Williams Deacon's shows a moderate rise in deposits, the District a fractional one and Martins a small decline. Glyn Mills's deposits are also down. Advances experience among the big banks has been more patchy: Lloyds Bank's advances are £10 million less than at mid-1953, but the other nine English clearing banks all show an increase, the biggest movement being the £24.8 million rise achieved by the Midland.

All the big banks, as expected, are carrying substantially larger investment portfolios than at this time last year, but their rise since the May make-up seems to have been small, which is rather surprising in view of the Government's cash-and-conversion operation of early June. Easily the biggest rise over the year is that in Barclays portfolio, which has risen by over £50 million, thus absorbing the bulk of the big addition to deposits; this bank's advances expanded only moderately, by £21 million. The Midland's portfolio has risen by £40 million and, in view of the recent

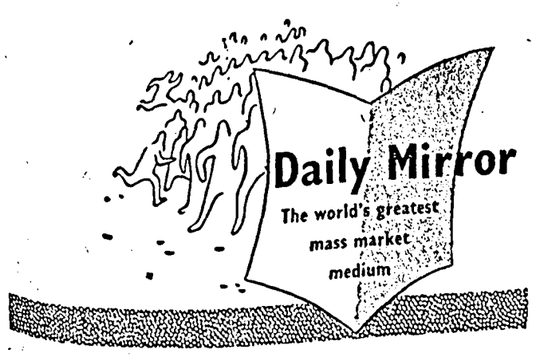


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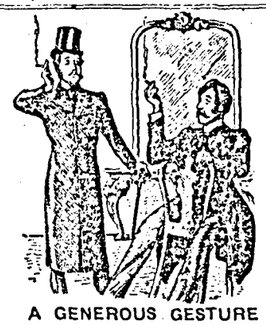
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SINCE MID-VICTORIAN TIMES



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"HAW! FACT IS, WE WERE BOTH WIVALS FOR THE HAND OF A CELEBWATED BEAUTY!—AND—WELL, I DON'T WANT TO BWAG, BUT I GOT THE *BEST* OF IT."

"MY DEAR FELLOW, A *THOUSAND* CONGRATULATIONS!"

"THANKS AWF'LY! WE BOTH PWOPOSED LAST WEEK, YOU KNOW, AND SHE ACCEPTED—A—*HIM!*"

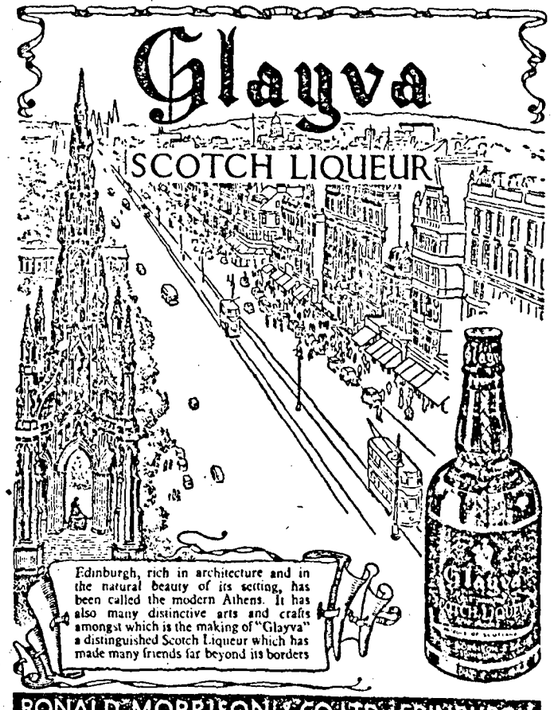
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tendency for the banks to venture a little longer in their investments, it is interesting to note that the Midland again records that over 90 per cent of its Government securities mature within 10 years. As expected, the figures as a *whole* show that the tendency for the banks to switch from call money into bills became more pronounced during the closing period of the half-year; call money is down both by comparison with May and with mid-1953, while the bill portfolios are substantially larger than in May but smaller than at June 1953. A sharp increase in the cash holding at the close of the half-year, however, makes an ephemeral distortion, so that it is impossible to gauge from these figures the precise underlying relationship between call money and bills.

Change in Retail Trends

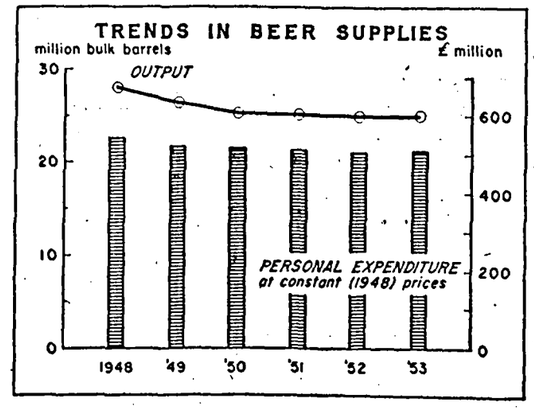
THE generally high level of retail sales conceals an unexpected shift in emphasis from clothing to more durable household goods. It did not become really noticeable until May, when the persistently cold weather began to take its effect on seasonal clothing sales. This trend has probably become more pronounced during the subsequent six weeks. Up to the end of May, food sales this year (the retail year beginning on February 1st) were on average two per cent higher than in the same period of 1953 and sales of other goods, 5 per cent higher. These average results conceal big increases in the sales of some categories of goods and a significant drop in others. In May itself, the independent shops reported a drop in all kinds of clothing and shoe sales compared with the previous May, and so did the department stores. This was somewhat offset by an increase of between 8 and 9 per cent in multiple shops' clothing sales and by mixed results from the co-operatives.

During April, all these shops were doing a booming trade in clothes; they were reporting sales increases of 12 and 22 per cent on the previous year, led as usual by the multiples. The unexpectedness of the check to sales in May is reflected in the rise in the value of the clothing stocks held by the shops. At the end of the month there was 14 per cent more merchandise of all kinds on the shelves than there was a year before, while the comparable figure for April was only 9 per cent. Most of the increase was in clothing; shoe stocks, for example, were up 20 per cent.

To offset these results, there has been a steady growth in furniture sales and also those of household goods. The independent shops, which figure strongly in this kind of business, had a 12 per cent rise in their furniture sales in May, and the department stores one of 9 per cent. Hardware sales were up between 7 per cent (the independents) and 12 per cent (the department stores). Radio and television sales could hardly hope to come near the pre-coronation peak of May last year, and the drop in radio and electrical goods seems to have averaged 20 to 26 per cent. Bad weather on the one hand, and an expanding rate of building on the other seem to be at the back of these changes. They soften temporarily the competition between department stores and multiples for the dominant position in retail trade, for the stores sell much of the durable household equipment, and earn on average a higher profit from it than they do from clothing sales that are made in direct competition with the multiples.

Mild or Bitter?

MONTHLY figures of beer output so far this year do not seem to support the impression that the postwar fall in consumption had ended in 1953. For the first five months of this year, to the end of May, output has been 9,024,000 bulk barrels, compared with 9,616,000 in the same period last year, a drop of 592,000 barrels, or 6 per cent. But these figures do not tell the whole story. There seems to have been an over-estimate of demand for the Christmas, 1953, trade, so that stocks were left over, and that brewing in January this year was lower than it would normally have been. The Siberian spell in the early months of the year, too, must have discouraged visits to the pub.



Thirdly, output in May last year was inflated by preparations for the Coronation; all the draught beer and much of the bottled beer for the celebrations was probably brewed in May.

This summer, again, bad weather will have affected demand for beer. But for that, the industry as a whole might have been able to look forward to a better figure for this June than for June last year: disappointing sales in the Coronation season left some beer in stock, so that June output last year was lower than it might have been. Whatever the movement in total sales, the continuing trend to bottled beer, which sells at higher prices and is generally more remunerative than draught, may mean that total expenditure and profits on beer as a whole will be maintained.

SHORTER NOTES

The Matchwood Working Party set up in 1950 at the suggestion of the Board of Trade to investigate whether there are types of timber suitable for making matches available from soft currency sources, to replace the poplar and aspen now bought from Canada and Europe, has reported that there are not.

In the first quarter of this year, during two months of which the National Coal Board was paying increased wages estimated to cost it some £9 million a year, it showed a surplus of £754,461 after providing £3 million for tax and £4,650,000 for interest due to the Minister of Fuel and Power. It was not until May that the board, stating that it could foresee a deficit of £17 million on the whole year, raised its prices by an average of nearly 5 per cent.

★

The directors of Hawker Siddeley have set all doubts at rest on the size of the ordinary dividend after the 100 per cent free scrip issue. In their announcement explaining that the Treasury has consented to this issue, they announce that subject to the usual proviso of "unforeseen circumstances" the final dividend on the new capital of £11,644,700 will be 7½ per cent. On the old capital the full year's rate would thus be equivalent to 21 per cent, compared with the dividend of 15 per cent paid in 1952-53. The belief that the scrip issue meant higher dividends has been amply justified and after the news the £1 ordinary shares gained 3s. 7½d. to 80s. 10½d.

★

In the Table of equity share prices in *The Economist* last week the par value of the Dunlop units was accidentally given as £1. They are now quoted in the 10s. form.

The directors of Pinchin Johnson, who a year ago reduced the ordinary dividend from 25 to 20 per cent, have now restored the rate to 25 per cent. This restoration follows the recovery in gross profits (from £1,546,807 to £1,976,218), and in net profits (from £538,241 to £695,026). After this announcement, the 10s. ordinary shares gained 9d. to 41s.

★

Arrangements for the resumption of private trading in raw jute have been completed and import licences will be issued shortly. The Jute Control's remaining stock will be bought by the Dundee mills. The return to private trading in jute goods is still a long way off.

★

Considerable offers of Russian silver on the London market on Friday of last week led to a sharp drop in the price from 73⅛d. per ounce to 72⅛d. from the weekend. On Tuesday the price recovered by ⅛d. The actual amount on offer cannot be estimated but the market complains of some clumsiness in the method. Lots of between 20 and 40 tons have come from various Continental centres, probably suggesting a much larger offering than in fact exists. The sensitiveness of the price was largely due to the fact that domestic demand for silver is, at the moment, exceptionally quiet, and that at the first hints of Russian metal being on the market the demand for exportable silver also dried up.

Company Notes

LAND SECURITIES INVESTMENT TRUST. A decline in rent income and no news of the big capital profit levied from his Savoy Hotel deal is not what investors expect from the dynamic Mr Samuel, chairman of Land Securities Investment Trust. The accounts gave the "bulls" of the 10s. ordinary stock units a tumble. These shares have been bought not so much in the belief that the dividend would be raised this year (for even the most optimistic could not ignore the chairman's warning a year ago that profits in 1953-54 would show a fall) but on the prospect for Mr Samuel and his big property deals.

The gross rents received in the year to March 31st were £1,122,492, compared with £1,247,861; net rentals also declined, from £737,042 to £655,858. The latest dividend of 12½ per cent, which is not covered by the year's earnings and is partly paid out of a draft on the carry forward, is within a fraction of the dividend of 45 per cent paid on the capital of £275,000, before the free scrip issue raised it to £1 million.

Mr Samuel explains that it is the company's policy to let its properties on full repairing leases to tenants of high standing; these tenants include some of the giants of British industry. The company has had to bear heavy costs of conversion of its old and newly purchased properties. Ultimately, these conversions enhance the value of the properties but they often entail a loss of rent until the properties are re-let.

There is another side to this policy. The acquisition of much new property has involved the company in borrowing more on mortgage. In the last financial year, the company's mortgage and debenture loans increased from £8,526,697 to £11,883,153. This increase, together with an increase in interest rates on the mortgages, brought interest charges up from £352,291 to £458,255—a major element in the reduction of net profits from £108,408 to £30,429.

	Years to Mar. 31, 1953	1954
Consolidated earnings :—	£	£
Gross rentals	1,247,861	1,122,492
Net rentals	737,042	655,858
Total income	750,307	674,855
Loan interest	352,291	458,255
Taxation	184,295	94,387
Net profit	*108,408*	*30,429*
Ordinary dividends	66,825	68,750
Ordinary dividends (per cent.)	45	12½
Added to carry forward	59,851	*Dr.38,321*
Cons. balance sheet:—		
Freehold properties	3,731,171	5,131,181
Leasehold properties	6,982,788	8,436,956
Cash	387,847	841,021
Mortgages, etc.	8,526,697	11,883,153
Reserves	1,524,207	878,308
Ordinary capital	275,000	1,000,000

A year ago when he foresaw this reduction Mr Samuel remarked that profits in 1954-55 "should show a considerable increase" over the 1952-53 earnings. In his latest statement, after drawing attention to losses on new properties awaiting re-letting, Mr Samuel has had to qualify this forecast. He now explains that profits in the current year will be of the order of those earned in the year to March 31, 1953. He adds that over the next few years the company's net income should improve considerably. Over these years, naturally, the company will have to face competition from the new offices being built in London. After Mr Samuel's statement the 10s. ordinary stock units were marked down 3s. 6d. to 44s. At that price, they offer a yield of £2 17s. per cent. Mr Samuel has not told shareholders what profits were made on the Savoy Hotel deal nor what he has done with them. Shareholders may wonder if there is any connection between this deal and the repayment of the preference capital of United City Property Trust, the subsidiary which had lent at the end of March, 1953, over £1¼ million to the holding company. The separate accounts of this subsidiary have not been published for the year to March 31st last. Mr Samuel should set all questions at rest at the annual general meeting.

★

BURBERRYS. The directors of Burberrys, the weatherproof clothing manufacturers, have chosen surgery rather than medicine to bring the company back to health. They report a decline in trading profits—from £159,377 to £103,069. The ordinary dividend has again been passed; the last payment was 5 per cent in 1950-51. The directors attribute the decline in profits to "more difficult trading conditions affecting the overseas establishments, the loss of service trade, and unforeseen difficulties which slowed down the reorganisation of factories."

The surgeon's scalpel the directors have chosen is the familiar one of selling off the freeholds of the company's properties and then taking them back on long leases. The real value of the company's freehold and leasehold properties is much above their book value of £627,878. The scheme to realise this "hidden reserve," and to use the proceeds to pay off a substantial part of the preference capital of £1 million, has not yet been completed. But arrangements are in view, subject to the consent of the Capital Issues Committee and the Court, to sell the freeholds on most of the company's London properties to an insurance company and to take back 99 years leases on these buildings. Further arrangements have been made for the "sale of certain properties no longer required and/or the raising of a mortgage primarily on the company's factory premises in the Reading, Basingstoke and Manchester areas." These arrangements will produce about £1 million for capital purposes; after the sales and mortgages are completed the company's bankers will "ensure the provision of working capital." The directors hope to produce the capital reorganisation proposals in the early autumn.

How do these arrangements affect the ordinary shareholder? He may benefit from the repayment of most of the preference capital; but in return, it seems, he will have to accept a higher rent roll on the leasehold property, higher mortgage interest charges, and interest charges on any money lent by the banks to finance the company's working capital requirements, and unlike the preference dividends those are payments which have to be made whether profits are earned or not. Until the capital reorganisation proposals are published, he will not be able to tell whether the value of his equity will be enhanced. After the announcement of these proposals and results, the company's £1 "A" ordinary shares fell 1s. 3d. to 12s. 9d. and the £1 "B" ordinary shares 9d. to 16s. 3d.; the £1 preference shares also lost 7½d. to 19s. 6d.

★

W. H. SMITH AND SON (HOLDINGS). Sometimes a dividend increase is so well foreseen that the actual announcement, notwithstanding higher profits, has been followed by a drop in the shares. That has been the fate of the "A" ordinary shares of W. H. Smith and Son (Holdings), the booksellers and stationers. The dividend on the "A" and "B" ordinary shares has been raised from 12 to 14 per cent but the "A" shares fell to 60s. 9d.; these shares offer a yield of £4 11s., about 5s. below the average "blue-chip" yield.

The increase in the dividend followed the slight advance in gross profits (from £1,792,575 to £1,811,629) in the year to March 28th, and in net profits (from £727,766 to £775,507). These increases suggest that the company has again been able to counterbalance the rise in costs (particularly of wages) by a further increase in sales. It is the stability of profits and the well established reputation of the company that has given its shares their high standing in the market. The latest year's results have done nothing to damage that status.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100) June 30, 1953	Mar. 30, 1954	April 27, 1954	May 25, 1954	June 29, 1954	Average Yields (per cent) June 30, 1953	Mar. 30, 1954	April 27, 1954	May 25, 1954	June 29, 1954
2½% Consols	85·2	90·8	93·5	94·1	93·7	4·15	3·89	3·78	3·76	3·78
Debenture stocks :										
Industrial	83·7	88·3	88·1	90·1	90·0	4·92	4·66	4·67	4·57	4·57
Investment trust	82·7	89·9	90·5	91·5	92·0	4·99	4·59	4·56	4·51	4·48
Preference stocks :										
Industrial	87·8	91·3	91·9	93·6	94·0	5·17	4·97	4·94	4·85	4·83
Investment trust	85·3	88·5	88·9	90·5	91·6	5·17	4·98	4·96	4·87	4·82
Ordinary stocks :										
Banks	88·1	96·5	99·1	101·4	101·6	4·61	4·56	4·44	4·35	4·35
Industrial insurance	106·7	114·5	115·6	116·4	120·5	5·34	5·09	5·04	5·01	4·95
Investment trust	117·1	147·9	153·7	162·3	165·8	5·89	5·02	4·83	4·70	4·75
Electrical engineering	94·9	109·1	116·2	120·3	123·8	6·35	5·51	5·33	5·16	5·02
Engineering	104·5	123·0	135·7	143·9	146·5	5·65	5·12	4·75	4·49	4·57
Motors and aircraft	104·0	128·9	133·4	141·2	151·3	6·54	5·88	5·67	5·38	5·08
Breweries	91·9	102·8	105·9	111·0	112·7	7·06	6·62	6·55	6·42	6·41
Chain stores	133·1	186·4	197·0	200·4	205·7	4·73	3·74	3·53	3·74	3·65
Cotton textiles	89·2	118·2	125·7	129·3	123·5	7·08	6·69	6·57	6·49	7·12
Household goods	85·1	125·5	128·7	136·0	137·0	5·84	5·40	5·36	5·24	5·23
Rayon	69·3	82·4	86·2	89·8	82·7	5·08	5·00	4·86	5·01	5·73
Tobacco	81·6	79·1	80·5	84·7	79·6	7·23	7·86	7·73	7·37	8·05
Wool textiles	85·6	106·2	108·1	113·5	117·5	6·25	6·18	6·09	5·90	5·66
Chemicals	111·1	141·0	149·6	157·1	167·2	5·56	4·67	4·66	4·46	4·40
Oil	104·0	144·6	149·6	157·7	160·4	7·40	6·28	6·06	6·10	6·24
Shipping	105·4	129·1	125·1	120·9	121·2	7·21	5·74	6·07	6·32	6·16
Total (capital goods)	*102·2*	*120·6*	*130·0*	*136·4*	*140·7*	*6·27*	*5·61*	*5·36*	*5·17*	*5·11*
Total (consumption goods)	*94·5*	*114·7*	*118·8*	*123·8*	*123·0*	*6·45*	*5·94*	*5·84*	*5·74*	*5·89*
Total industrial (all classes)	**98·4**	**120·7**	**125·7**	**131·4**	**133·1**	**6·42**	**5·73**	**5·61**	**5·51**	**5·58**

LONDON STOCK EXCHANGE

Next Account begins: July 21st
Next Contango Day: July 21st
Next Settlement Day: July 27th

GILT-EDGED stocks, with buying concentrated upon the undated and long dated issues, stole the limelight in the market this week. Dominion and Colonial issues, particularly the high couponed stocks and those standing under par, joined in the rise while the recently issued Birmingham loan advanced ⅞ to 2¼ premium. Insurance shares also rose sharply, with Prudential "A" moving up ½ to 43⅛. In the foreign market German issues were depressed at first but regained their earlier losses when buyers came into a thin market. Rumanian bonds were marked down on Monday on suggestions that a year may elapse before any payment is made, but these too began to improve later in the week. Bagdad Light and Power fell from 61s. 3d. to 55s. on the news that the Iraq Government had not given notice to the company that it intended to purchase the undertaking at the end of this year.

Equity share prices followed in the wake of the advance in gilt-edged stocks, bringing the *Financial Times* ordinary share index up to a new peak of 160.6. Gains early in the week were most marked in the electrical equipment, building material and motor groups. Profit taking, on the other hand, led to losses in the stores group. Later in the week "hire purchase" stocks enjoyed a general rise. The new Gallaher preference issue went off to a good start, opening at 3d. premium on the issue price of 21s. 9d. and closing on Wednesday at 4½d. premium. The chief feature in the market for oils was the advance in Royal Dutch on Monday by 2½ to 44¾, mainly on the strength of buying from Amsterdam. Later in the week oil shares remained little more than steady. Rubber shares were dull on a warning from America that higher prices for natural rubber might lead to the increased use of synthetic. On Monday dealers in the Kaffir market reported a selective demand for a few of the OFS issues, but later in the week in a quiet market prices slipped back a little.

FINANCIAL TIMES INDICES

1954	Security Indices Ord.*	Fixed Int.†	Yields 2½% Cons.	Ord.
			%	%
July 7	158·2	115·27	3·74	4·88
„ 8	159·3	115·32	3·74	4·85
„ 9	160·0	115·54	3·72	4·83
„ 12	160·1	115·61	3·71	4·83
„ 13	160·2	115·87	3·66	4·83
„ 14	160·6	116·06	3·64	4·81
1954, High	160·6 (July 14)	116·06 (July 14)	Total bargains 1954 July 7	14,159
„ Low	131·1 (Jan. 1)	111·78 (Jan. 5)	„ 8	13,585
			„ 9	13,576
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 12	15,286
„ Low	113·9 (May 20)	105·68 (Jan. 5)	„ 13	13,576
			„ 14	12,837

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to July 14 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS §	Price, July 7, 1954	Price, July 14, 1954	Net Yield, July 14, 1954	Gross Yield, July 14, 1954
					£ s. d.	£ s. d.
100⅜	99⅞	Exchequer 2½% 1955	100¼	100 5/16	0 16 9	1 14 0
105¼	101¼	Exchequer 3% 1960	105¼	105 3/16	0 16 4	2 4 6
104	99 13/16	Exchequer 3% '62-63	103 13/16	103⅞	1 4 2	2 10 11l
100 7/32	99⅝	Serial Funding 1½% 1954	100 7/32	100·0·10½	0 8 2	1 11 10
99 15/16	99 23/32	S. Fdg. 1½% 1954 Ass. Exc.	99 15/16	99 13/16	1 7 9	2 10 3
101 9/16	99 21/32	Serial Funding 2½% 1957	101 3/32	101¼	0 16 0	1 17 2
101¾	100 13/16	Serial Funding 3% 1955	101⅜	101 11/32	0 6 4	1 16 5
101 3/16	100	War Bonds 2½% '54-56	100 21/32	100⅞	0 19 10	2 1 4l
101 5/16	100 1/16	Funding 2¾% '52-57	100⅝	100 17/32	1 5 9	2 11 2l
101 11/32	100 5/32	Nat. Def. 3% '54-58	100/4/4½	100/4/0	0 2 2	1 9 9e
102¾	101½	War Loan 3% '55-59	102 1/16	102 1/16	1 6 6	2 14 7l
100¼	95 11/16	Savings Bonds 3% '55-65	100⅛	99⅜*	1 14 6	3 1 4l
101 1/16	97¾	Funding 2½% '56-61	101 1/16	101	1 5 6	2 8 9l
96 3/16	92 7/16	Funding 3% '59-69	96¼	96½	1 19 2	3 7 4l
98	93 11/16	Funding 3% '66-68	97¼*	97 13/16*	1 16 3	3 3 5l
104½	100 13/16	Funding 4% '60-90	103 13/16	104½	1 10 3	3 6 10e
...	...	Funding 3½% 1999-2004	...	97⅜	2 0 4	3 12 6l
95⅞	90⅝	Savings Bonds 3% '60-70	95 3/16	95⅞	1 19 11	3 8 6l
95 3/16	90⅛	Savings Bonds 2½% '64-67	95 1/16	95 1/16	1 16 8	3 0 4l
105½	101 3/16	Victory 4% '20-76	105 3/16	105½	1 15 5	3 11 8†
93½	87⅝	Savings Bonds 3% '65-75	93	93*	2 1 1	3 9 1l
97½	93½	Consols 4% aft. Feb. '57	96½*	97⅜*	2 5 2	4 2 0f
91⅝	84⅞	Conv. 3½% aft. April '61	89 3/16	91⅝	2 2 5	3 17 6f
101 13/16	99 1/16	Conv. 3½% 1969	101⅞	101 13/16	1 16 7	3 8 11
100¼	99 3/16	Conv. 2% 1958-59	100 1/32	100¼	1 0 10	1 18 10l
69	63 3/16	Treas. 2½% aft. April '75	67	68⅞	2 0 2	3 13 4f
80	74 1/16	Treas. 3% aft. April '66	78 7/16	80	2 1 6	3 15 10f
98	92 11/16	Treas. 3½% '77-80	97 1/16	98	2 0 8	3 12 9l
98¾	92 7/16	Treas. 3½% '79-81	98 3/16	97⅞*	2 0 5	3 12 2l
89	83	Redemption 3% '86-96	88 5/16	89	2 1 2	3 10 11l
90 1/16	84 1/16	War L'n 3½% aft. Dec. '52	88 5/16	90 3/16	2 2 9	3 17 11f
69 5/32	63 9/16	Consols 2½%	66⅞	68⅝	2 0 1	3 12 11f
94½	88 7/16	Br. Elec. 3% '68-73	93 3/16	94 7/16	2 0 10	3 9 5l
93 7/16	87 11/16	Br. Elec. 3% '74-77	92⅞	93⅜	2 0 11	3 9 9l
107½	103 3/16	Br. Elec. 4½% '74-79	107 3/16	107½	1 18 7	3 16 1e
98 3/16	93 11/16	Br. Elec. 3½% '76-79	97⅞	98 3/16	2 0 3	3 12 5l
89 3/16	83 5/16	Br. Trans. 3% '78-88	87⅞	89 3/16	2 1 11	3 11 0l
94½	88 15/16	Br. Trans. 3% '68-73	93⅞	94½	2 0 11	3 9 6l
104 3/16	100½	Br. Trans. 4% '72-77	103 3/16	103 13/16	1 19 1	3 14 6e
89⅞	84⅞	Br. Gas 3% '90-95	88 11/16	89⅜	2 1 0	3 10 5l
101⅝	96⅝	Br. Gas 3½% '69-71	100 11/16	101 3/16	1 17 3	3 9 5l
104 13/16	99⅞	Br. Gas 4% '69-72	103⅞*	104⅜*	1 17 1	3 12 0e

(e) To earliest date. (f) Flat yield. (l) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 11½ years approximately.

Prices, 1953 High	Low	Prices, 1954 Jan. 1-July 14 High	Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, July 7, 1954	Price, July 14, 1954	Yield, July 14, 1954
							£ s. d.
92	84¾	95½	90½	Aust. 3½% '65-69	93½	94½	3 14 6l
...	...	98⅞	97½	Ceylon 4% '73-75	97	98	4 2 11l
98 11/16	98 3/32	103⅛	98⅜	N. Zealand 4% '76-78	102	103	3 16 0l
73½	66½	77¼	71½	L.C.C. 3% aft. 1920	76	77	3 17 11
95⅝	90⅞	98⅜	95	Liverpool 3% '54-64	97	97½	3 6 0l
81⅝	73⅜	85 3/16	80½	M. Wtr. 'B' 3% '34/2003	84½	84½	3 13 8l
104½	101½	104½	101⅞	Agric. Mort. 5% '59-89	102½	102½	4 4 10e
...	...	95⅜	71⅞	German 7%	82	80	...
...	...	142	102	German 5½%	119	117½	...
139¾	119	159¾	132⅝	Japan 5% 1907	149	149½	...
176	136	186½	168½	Japan 5½% Conv. 1930	178½	180	...

Prices, 1954 Jan. 1 to July 14 High	Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, July 7, 1954	Price, July 14, 1954	Yield, July 14, 1954
		%	%	**Banks & Discount**			£ s. d.
49/-	42/3	16 c	5 a	Barclays £1	46/-*	48/-*	4 3 4m
64/9	58/9	14 c	7 a	Lloyds 'A' £5, £1 pd.	62/6*	64/6*	4 6 10
83/9	74/9	8 b	8 a	Midland £1, fully pd.	80/6	83/-	3 17 1
81/-	72/7½	8½ b	8½ a	N. Prov. 'B' £5, £1 pd.	78/-*	79/6*	4 5 6
91/6	79/6	18 c	10 a	Westminster £4, £1 pd.	90/6	90/6	3 19 7
117/6	92/-	17½ b	7½ a	Alexanders £2, £1 pd.	108/9*	116/3*	4 6 1
49/3	40/10½	5 b	5 a	Nat. Disc. 'B' £1	48/-	48/-	3 2 6v
51/6	44/6	5 b	5 a	Union Disc. £1	49/-*	49/-*	4 1 8
43/6	37/6	4 b	4 a	Barc. (D.C.&O.) 'A' £1	42/6	43/-	3 14 5
45/7½	40/3	7 a	7 b	Chart. Bk. of India £1	44/6	43/-	6 10 2
				Insurance			
14 3/16	9½	50 a	85 b	Leg. & Gen. £1, 5/- pd.	13½	14½	2 7 5
22½	20½	20†a	40†b	Pearl £1, fully pd.	22½	22	4 19 2
43⅛	35 11/16	105†c	112½†c	Prudential 'A' £1	42	42½	4 15 8
				Breweries, Etc.			
131/3	125/-	33 b	10 a	Bass £1	126/10½	126/10½	6 15 7
23/3	17/4½	15 b	7½ a	Distillers 4/-	21/6	23/-	3 18 3
35/-	31/-	11 b	8 a	Guinness 10/-	34/6	25/-	5 8 7
84/3	60/-	8 a	15⅝ b	Whitbread 'A' Ord. £1	81/3*	78/9*	5 6 9d

Prices, 1954 Jan. 1 to July 14 High	Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, July 7, 1954	Price, July 14, 1954	Yield, July 14, 1954
		%	%	**Steel & Engineering**			s. d.
65/-	41/4½	12½ c	15 c	B.S.A. £1	62/3	63/-	4 15 3
12/4	8/9	5 a	10 b	Cammell Laird 5/-	11/-	10/6	7 1 0h
60/7½	49/9	5 a	10 b	Guest Keen N'fold £1	58/3	60/-	5 0 0
35/6	34/6	...	...	Stewarts & Lloyds £1	35/3	35/3	...
25/1½	22/-	7½ b	4 a	United Steel £1	24/6	24/10½	7 4 8o
37/3	23/9	2½ a	12½ b	Vickers £1	34/6	34/6	4 6 11v
				Textiles			
42/3	32/-	4 a	11 b	Bradford Dyers £1	41/6	42/-	7 2 10
32/4½	24/9	6 a	12 b	Brit. Celanese 10/-	27/9	29/-	6 4 2
31/4½	24/8	5 a	10 b	Coats (J. & P.) £1	27/6	27/-	5 11 1v
34/-	25/2	6¼ a	4⅞ b	Courtaulds £1	32/6	33/6	4 15 6h
60/6	47/4½	20 c	10 a	Lancs. Cotton £1	58/3	57/9	5 3 11u
79/6	64/-	5 a	15 b	Patons & Baldwins £1	69/-*	68/-*	5 17 8
				Electrical			
58/-	41/9	7½ a	7½ b	Assoc. Elect. £1	55/-	57/6	3 18 3s
45/9	38/-	2½ a (t)	7½ b	B.I.C.C. £1	44/9	45/3	4 8 5
49/3	38/6	5 a	6⅞ b	English Elect. £1	46/3	48/9	4 2 1m
48/7½	37/9	7½ b	3¾ a	General Elect. £1	43/9	47/6	4 14 9
				Motor & Aircraft			
23/7½	18/6	3½ a	6½ b	Bristol Aeroplane 10/-	23/3	22/6	4 8 11
10/2½	6/3½	6½ b	4 a	British Motor 5/-	9/9	10/1½	5 3 8
30/3	23/4½	7½ c	7½ c	De Havilland £1	27/-	27/9	5 8 1
70/-	35/9	7½ c	12 c	Ford Motor £1	65/-	69/4½	3 9 2
79/3	47/7½	9 b	6 a	Hawker Siddeley £1	78/3	77/-	3 17 11
98/9	80/6	25 c	25 c	Leyland Motors £1	95/-	96/3	5 3 11
73/-	44/-	5 a	12½ b	Rolls Royce £1	105/-	68/1½	3 8 6f
8/10½	5/5½	12 c	12 c	Standard Motor 5/-	7/9	8/9	6 17 2
				Shops & Stores			
27/1½	22/9	10 a	12½ b	Boots Pure Drug 5/-	27/-	27/-	4 3 4
42/9	32/-	15 b	7½ a	Debenhams 10/-	41/10½*	41/9	4 15 10w
85/9	63/3	37½ b	15 a	Gt. Universal 5/-	84/-	83/-	2 8 2*
109/-	92/9	5 a	17½ b	Lyons (J.) 'A' £1	100/6	100/6	4 9 7
59/-	36/11	20 a	45 b	Marks & Spen. 'A' 5/-	57/-	57/-	2 17 0r
80/6	64/-	40 b	20 a	Woolworth 5/-	78/3*	76/3*	3 18 8
				Oil			
13 3/16	8 11/16	5 a	37½ b	Anglo-Iranian £1	12 11/16	12⅜	3 6 9
£44⅜	£28	4 a	12 b	Royal Dutch 100 fl.	£40⅜	£43⅜	2 13 0
106/9	77/10	5†a	10†b	Shell Reg. £1	103/1½	103/1½	4 8 0s
25/7½	17/6	15†b	5†a	Trinidad L'holds 5/-	23/3	25/-	3 12 9x
34/9	25/3	...	...	Ultramar 10/-	29/6	29/-	Nil
				Shipping			
44/-	36/7½	16 c	2½ a	Cunard £1	39/6	41/6	7 14 3
38/7½	30/3	12½ c	12 c	Furness Withy £1	34/6	35/-	6 17 2
43/9	31/3	6 a	16 b	P. & O. Def. £1	39/6	43/6	6 1 2y
35/3	24/10½	(p) 10 c	10 c	Royal Mail £1	27/-	27/-	7 8 2
				Miscellaneous			
90/3	67/9	5 a	12½ b	Assoc. Port. Cem. £1	83/9	89/4½	3 16 1
70/-	44/-	15 c	16 c	Bowater Paper £1	67/6	68/9	4 13 1
40/-	33/9	4 a	6 b	Brit. Aluminium £1	37/6	38/1½	5 4 11
43/3	36/3	12½†c	4 1/16†a	Brit. Amer. Tob. 10/-	39/-	40/6	5 12 1
$49½	$38½	3 b	3 a	Canadian Pacific $25	$47½	$48½	5 13 6
42/3	32/6	35 c	14 3/16 a	Decca Record 4/-	40/6	41/6	4 4 5g
26/10½	18/5	11⅞ c	14 c	Dunlop Rubber 10/-	25/3	26/6	5 5 8
75/-	53/-	6 a	9 b	Imp. Chemical £1	74/3	74/3	4 0 9
58/7½	49/3	8½ a	11½ b	Imp. Tobacco £1	53/-	53/-	7 10 11
$77⅞	$63½	$2·60c	$2·35c	Inter. Nickel n.p.v.	$76⅜	$77½	5 8 4
60/6	51/6	7½ a	9 b	London Brick £1	60/-	60/-	5 13 4n
73/9	63/6	12½ b	3½ a	Tate & Lyle £1	68/-	71/-	4 10 2
71/-	60/6	*7½ b	7½ a	Tube Investments £1	67/6	65/-	4 12 4
86/3	69/-	17½ c	5 a	Turner & Newall £1	82/6	84/6	4 2 10
84/9	57/6	6 a	9⅜ b	Unilever £1	82/-	82/6	3 16 4
38/3	30/3	†4 1/16 a	7½† b	United Molasses 10/-	32/-	34/3	6 8 6q
34/10½	28/-	Nil c	10† c	Cons. Tea & Lands £1	33/9	33/3	10 18 8
2/4½	1/10	10 c	10 c	London Asiatic Rbr. 2/-	2/3	2/1½	9 8 3
38/6	25/2	5 a	15 b	United Sua Betong £1	37/6	36/6	7 6 1k
				Mines			
7⅝	5 11/16	20 a	40 b	Anglo-Amer. 10/-	7½	7 3/16	3 19 4
106/3	68/3	80 a	120 b	De Beers 5/- Bearer	99/10½	105/7½	9 9 4
101/10½	56/6	...	...	Free State Geduld 5/-	83/1½	81/3	Nil
76/3	54/9	8½ c	10 c	Randfontein £1	58/1½	60/6	3 6 1
6/9	4/10½	22 c	24 c	London Tin 4/-	6/4½	6/4½	15 1 2
25 3/16	16 11/16	175 b	50 a	Rhokana £1	25	24¾	9 1 10

* Ex dividend.

New York Closing Prices

	July 7 $	July 14 $		July 7 $	July 14 $		July 7 $	July 14 $
Balt. & Ohio	23½	25½	Am. Smelting	36½	37	Inter. Paper	75½	76½
Can. Pac.	26⅞	27½	Am. Viscose	36	36½	Nat. Distill.	18⅞	19⅞
N.Y. Cent.	21	22½	Cel. of Amer.	22½	21½	Sears Roebuck	65⅛	65⅞
Pennsyl.	16½	16½	Chrysler	63⅞	63	Shell	46½	45½
Amer. Tel.	167½	169½	Gen. Elec.	47½	45	Std. Oil of N.J.	88⅞	81⅞
Stand. Gas	12½	13½	Gen. Motor	76	79½	U.S. Steel	51	51½
United Corp.	5½	5½	Goodyear	67½	69½	Westinghouse	73½	70½
W. Union Tel.	41½	43	Inter. Nickel	43½	43½	Woolworth	43⅞	44⅜

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield basis 21%. (e) To earliest date. (f) Flat yield. (g) Yield basis 43½%. (h) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 14·8%. (i) Yield basis 13½% after capital bonus. (j) Yield basis 11½%. (k) Yield basis 8%. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 14%. (o) Yield basis 9%. (p) Also 5% net capital distribution. (q) Yield basis 22% gross. (r) Yield basis 32½%. (s) Yield basis 22·7% gross. (t) In addition 2½%, not subject to tax, from capital profits. Yield basis 10%. (u) Yield basis 15%. (v) Yield basis 7½%. (w) Yield basis 20%. (x) Yield basis 18·18% gross. (y) Yield basis 11%, after capital bonus. (z) Yield basis 11½%. • Yield basis 40%.

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 213.

Comparative analysis of 1,007 profit and loss accounts published April-June, 1954 (£'000)

Industry	Breweries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(17)		(39)		(54)		(27)		(8)		(53)		(90)		(17)	
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year
Gross trading profit	7,672	8,433	8,157	10,501	85,571	112,832	17,313	20,133	50,161	49,652	29,182	32,929	66,439	64,661	15,390	15,711
Income from investments	179	160	101	145	1,649	1,893	539	592	1,734	2,032	517	570	1,170	1,223	1,254	990
Other current income	..	..	4	..	2	2	14	5	..	..	4	2	31	18	..	17
Non-recurring credits	279	174	616	553	7,629	1,476	193	452	103	88	430	918	1,624	2,622	587	1,467
Total Income	**8,130**	**8,767**	**8,878**	**11,199**	**94,851**	**116,203**	**18,059**	**21,182**	**51,998**	**51,772**	**30,133**	**34,419**	**69,264**	**68,524**	**17,231**	**18,185**
Repairs and maintenance	256	249	48	58	40	62	759	1,098	1	..	1	..	258	186	..	..
Depreciation	815	823	1,229	1,362	22,021	20,982	1,279	1,337	2,596	3,251	5,634	6,644	9,792	10,107	2,348	2,670
Income tax (excl. profits tax)	2,736	3,017	3,109	3,785	32,999	47,386	6,131	6,660	19,408	18,376	11,267	11,209	26,408	24,461	6,122	5,337
Profits tax	692	760	674	831	2,729	3,680	2,109	2,524	3,099	2,404	3,649	3,666	8,009	7,292	1,646	1,322
Directors' emoluments	323	329	735	809	1,593	1,731	671	692	424	458	1,140	1,233	2,497	2,634	542	564
Administrative charges, etc.	82	84	139	104	284	220	1,633	1,842	199	194	198	178	360	340	25	30
Contingencies, provisions, etc.	521	493	240	221	1,204	2,139	436	855	3,248	1,969	1,047	2,147	4,198	2,818	1,014	1,499
Pensions	50	55	80	180	608	721	145	131	713	1,008	214	263	288	282	35	158
Minority share in profits	132	138	19	61	2,007	2,146	113	104	2,897	3,090	343	336	1,018	926	178	197
Profits retained by subsidiaries	61	181	554	774	12,359	15,811	631	732	13,566	14,748	1,887	2,227	3,485	4,352	1,152	1,488
Debenture interest	731	738	135	145	2,521	2,557	419	430	621	595	188	229	634	748	52	53
Preference dividends	201	212	210	218	4,291	4,433	248	259	413	414	380	395	938	978	615	431
Ordinary dividends	1,070	1,251	1,096	1,431	6,547	7,701	2,306	2,954	4,451	5,113	2,369	2,793	5,100	5,892	1,772	1,895
Revenue reserves, etc.	397	409	362	746	4,139	1,846	1,731	3,012	...	2,163	1,386	2,889	5,216	6,312	525	4,294
Brought in (parent company)	2,091	2,154	1,475	1,723	12,442	13,951	6,556	6,004	5,159	5,521	4,348	4,778	14,406	15,469	4,953	6,354
Carried forward (parent company)	2,154	2,182	1,723	2,197	13,951	18,739	6,004	4,556	5,521	3,610	4,778	4,988	15,469	16,665	6,354	4,601

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(4)		(42)		(33)		(27)		(37)		(117)		(20)		(22)	
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year
Gross trading profit	5,204	6,084	72,094	88,818	33,338	32,201	28,401	38,850	26,344	33,807	55,847	55,057	60,128	48,167	12,994	15,107
Income from investments	654	622	3,670	3,511	753	873	626	863	2,321	2,367	1,837	1,941	2,849	2,881	187	239
Other current income	..	..	6	1	17	..	..	..	46	62	328	310	1	..	..	1
Non-recurring credits	237	674	2,762	4,396	891	2,084	1,756	1,521	2,802	1,169	2,403	4,095	364	816	1,539	1,689
Total Income	**6,095**	**7,380**	**78,532**	**96,726**	**34,999**	**35,158**	**30,783**	**41,234**	**31,513**	**37,405**	**60,415**	**61,403**	**63,342**	**51,864**	**14,720**	**17,036**
Repairs and maintenance	300	300	763	814	10	2	..	..	613	779	11	32	212	163	..	..
Depreciation	718	815	21,682	26,049	4,014	4,346	5,374	6,577	3,146	3,755	11,156	11,899	19,865	19,573	2,526	3,078
Income tax (excl. profits tax)	2,186	2,389	22,950	26,946	13,363	11,272	10,614	14,893	9,620	12,441	21,373	21,023	18,600	12,307	3,630	6,864
Profits tax	479	519	4,948	6,113	3,606	2,829	3,269	6,184	2,494	4,028	5,074	4,517	3,840	2,310	1,113	1,109
Directors' emoluments	161	203	1,671	1,916	1,045	1,038	730	795	1,359	1,337	2,611	2,607	580	589	621	674
Administrative charges, etc.	18	16	258	311	555	530	125	341	270	268	861	979	281	245	74	60
Contingencies, provisions, etc.	290	710	1,573	909	3,551	3,760	3,324	4,643	2,026	570	2,191	1,915	5,608	5,028	808	903
Pensions	66	131	4,247	5,060	478	587	1,504	877	1,335	1,916	684	685	1,193	357	27	59
Minority share in profits	85	72	1,226	1,544	433	405	29	21	249	267	721	711	837	986	452	580
Profits retained by subsidiaries	662	461	3,593	4,136	871	1,278	1,173	1,393	1,174	1,435	3,491	2,486	5,495	4,985	2,358	Dr. 1,148
Debenture interest	35	35	2,319	2,766	242	359	17	43	507	540	692	692	240	242	227	204
Preference dividends	86	90	1,490	1,561	387	408	230	265	869	919	1,127	1,168	303	316	390	395
Ordinary dividends	781	865	8,203	9,770	2,799	3,151	2,203	3,106	3,281	4,238	5,691	6,566	3,030	3,093	1,899	2,377
Revenue reserves, etc.	165	735	3,337	8,395	2,810	4,545	1,836	2,206	4,295	4,907	3,802	5,045	3,015	1,958	639	1,392
Brought in (parent company)	664	727	10,755	11,027	6,363	7,198	5,782	6,137	4,265	4,540	12,394	13,324	5,234	5,477	2,049	2,005
Carried forward (parent company)	727	766	11,027	11,463	7,198	7,846	6,137	6,027	4,540	4,545	13,324	14,402	5,477	5,189	2,005	2,494

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS	
No. of Companies	(8)		(17)		(20)		(13)		(117)		(68)		(157)		1,007 Companies	
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year
Gross Trading profit	3,626	7,167	4,341	5,116	4,495	5,992	113,640	115,625	7,676	4,380	2,158	7,644	24,891	26,809	735,062	805,676
Income from investments	209	256	65	68	279	297	5,680	11,526	453	412	452	262	18,710	20,239	45,888	53,962
Other current income	..	1	1	11	..	..	77	73	59	179	98	88	309	291	997	1,061
Non-recurring credits	1,055	142	313	163	721	374	381	425	616	1,318	469	374	2,335	1,831	30,105	28,821
Total Income	**4,890**	**7,566**	**4,720**	**5,358**	**5,495**	**6,663**	**119,778**	**127,649**	**8,804**	**6,289**	**3,177**	**8,368**	**46,245**	**49,170**	**812,052**	**889,520**
Repairs and maintenance	..	..	..	..	492	537	..	..	..	..	24	126	656	731	4,444	5,137
Depreciation	1,009	1,303	466	530	791	885	14,500	20,462	722	682	359	933	4,361	4,979	136,403	153,042
Income tax (excl. profits tax)	1,340	2,654	1,677	1,953	1,562	1,853	60,239	60,625	2,691	1,706	1,248	2,718	15,295	15,597	294,568	315,472
Profits tax	400	622	381	421	483	629	3,944	4,249	835	508	279	681	2,606	2,955	56,418	60,053
Directors' emoluments	196	235	427	486	433	472	554	586	164	153	121	150	1,479	1,523	20,077	21,214
Administrative charges, etc.	5	6	9	12	58	52	244	212	635	547	460	303	1,425	1,497	8,202	8,371
Contingencies, provisions, etc.	562	423	37	143	563	155	3,371	2,763	1,784	1,461	182	737	1,815	1,580	39,593	37,841
Pensions	11	42	22	22	45	53	143	333	..	..	62	58	493	660	12,443	13,638
Minority share in profits	..	..	..	1	10	24	169	202	26	13	..	..	626	712	11,570	12,536
Profits retained by subsidiaries	10	5	665	481	Dr. 180	682	Dr. 379	Dr. 324	56	39	..	15	3,005	2,673	55,689	58,910
Debenture interest	117	149	30	30	154	157	98	978	19	13	12	12	2,688	2,855	12,698	44,570
Preference dividends	380	411	163	126	197	209	1,729	1,757	19	16	98	99	1,949	2,022	16,513	17,102
Ordinary dividends	423	622	374	658	522	653	17,587	19,582	1,198	903	492	1,179	6,969	8,174	80,163	93,967
Revenue reserves, etc.	490	799	235	419	351	563	17,473	16,007	585	288	293	842	1,854	2,290	54,936	72,062
Brought in (parent company)	1,094	1,041	1,069	1,303	1,609	1,623	6,263	6,369	2,113	2,183	1,701	1,248	13,201	14,165	125,986	134,321
Carried forward (parent company)	1,041	1,336	1,303	1,379	1,623	1,462	6,369	6,586	2,183	2,143	1,248	1,763	14,165	15,087	134,321	139,924

Comparative analysis of 1,007 balance sheets published April-June 1954 (£'000)

Industry	Breweries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(17)		(39)		(54)		(27)		(8)		(53)		(90)		(17)	
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev Year	Latest Year
Fixed assets	*62,385*	64,414	*27,496*	30,045	*299,191*	333,754	*47,163*	48,127	*59,338*	64,820	*100,907*	113,704	*138,301*	153,331	*46,967*	55,042
Trade investments	*472*	486	*763*	873	*20,541*	16,845	*2,267*	5,754	*9,461*	11,310	*2,829*	2,987	*5,112*	5,236	*2,802*	2,949
Stocks	*8,973*	8,788	*19,437*	21,614	*254,424*	262,952	*18,842*	20,228	*184,408*	184,237	*36,723*	37,505	*151,561*	154,075	*87,646*	97,420
Debtors	*4,458*	4,629	*6,332*	6 579	*123,433*	131,219	*8,577*	9,409	*38,907*	43,592	*28,847*	31,021	*87,415*	95,692	*20,545*	23,356
Net balances due to parent co.	..	..	*45*	90	*589*	395	*2,005*	1,981	*21*	24	*391*	774	*2,113*	1,506	..	344
Gilt-edged	*3,209*	2,984	*118*	643	*2,821*	2,325	*4,087*	4,270	*11*	11	*4,397*	4,258	*16,165*	11,829	*13,002*	5,636
Cash	*5,306*	5,711	*7,189*	7,076	*57,800*	64,765	*14,093*	13,433	*29,673*	31,438	*15,621*	19,895	*30,429*	42,024	*12,989*	15,159
Other marketable investments	*410*	387	*613*	629	*9,570*	18,115	*201*	247	*1,561*	1,704	*2,541*	2,857	*4,989*	4,268	*1,869*	3,245
Intangible assets	*1,926*	1 343	*1,404*	1,471	*74,841*	13,598	*3,959*	4,175	*2,611*	2,633	*981*	853	*1,561*	1,114	*776*	..
Total Assets	**86,538**	**88,742**	**63,397**	**69,019**	**842,710**	**843,970**	**100,494**	**107,624**	**323,991**	**339,769**	**193,237**	**213,852**	**437,637**	**469,073**	**186,587**	**203,129**
Bank overdrafts and loans	*1,205*	963	*1,849*	2,036	*36,219*	37,827	*1,276*	1,337	*6,803*	7,841	*4,918*	4,940	*17,476*	18 241	*580*	1,221
Reserve for future income tax	*2,611*	2,928	*3,518*	4,000	*23,459*	30,247	*5,540*	6,024	*8,639*	8,167	*11,049*	11,947	*27,202*	25,450	*6,566*	6,114
Depreciation and obsolescence	*3,656*	4,424	*9,589*	10.567	*101,725*	102,775	*12,114*	12,182	*17,690*	20,214	*49,600*	56,640	*55,532*	60,826	*18,502*	23,461
Capital reserves and EPT refunds	*5,370*	4,389	*4,252*	5 375	*83,905*	34,460	*4,868*	6,870	*39,870*	40,096	*17,955*	12,840	*33,706*	37,278	*11,031*	9,621
Other provisions	*1,565*	1,333	*624*	605	*2,422*	2,640	*1,192*	2,512	*5,698*	6,158	*1 933*	2,098	*2,332*	3,051	*1,941*	1,773
Current liabilities and creditors	*11,306*	11,925	*10,095*	10,517	*163,650*	174,649	*16,277*	16,768	*64,451*	63,593	*35,164*	38,110	*98,876*	101,765	*71,176*	78,047
Revenue res. and carried forward	*16 891*	17,657	*10,076*	11,924	*150,172*	180,710	*22,277*	24,759	*93,003*	98,634	*27,098*	30,202	*90,730*	98,596	*42,022*	46,375
Net balances due to subsidiaries	*3*	11	*10*	8	*3,911*	1,758	*75*	1,408	*269*	112	*21*	39	*434*	184	..	627
Minority interests	*3,627*	3,638	*601*	649	*32,791*	33,803	*2,006*	1,160	*22,152*	23,090	*6,172*	6,932	*11,676*	12,380	*1,895*	2,359
Debenture capital	*18,406*	18,575	*3,004*	3,027	*68,814*	65,936	*10,037*	9,863	*16,931*	16,143	*5,573*	6,570	*12,315*	16,194	*1,262*	1,312
Preference capital	*7,473*	7,473	*6,355*	6,396	*99,534*	100,007	*7,684*	9,007	*13,110*	13,110	*11,382*	11,596	*28,307*	28,659	*11,515*	11,515
Ordinary capital	*14,365*	15,426	*13,433*	13,714	*75,674*	79,158	*17,119*	15,734	*30,358*	42,611	*22,372*	31,938	*59,051*	66,449	*20,097*	20,704
Total Liabilities	**86,538**	**88,742**	**63,397**	**69,019**	**842,710**	**843,970**	**100,494**	**107,624**	**323,991**	**339,769**	**193,237**	**213,852**	**437,637**	**469,073**	**186,587**	**203,129**

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(4)		(42)		(33)		(27)		(37)		(117)		(20)		(22)	
	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	*24,202*	26,052	*395,097*	449,033	*69,097*	80,566	*69,711*	88,846	*67,002*	71,936	*185,707*	201,954	*222,844*	229,353	*60,701*	64,723
Trade investments	*1,405*	1,439	*23,638*	22 428	*7,471*	10,271	*1,543*	1,805	*14,742*	15,214	*15,032*	16,399	*6,551*	7,658	*5,054*	5,289
Stocks	*27,763*	32,562	*158,379*	144,040	*94,189*	87,634	*64,374*	75,483	*32,011*	30,123	*132,633*	128,035	*8,718*	8,270	*64,105*	56,192
Debtors	*8,143*	10,685	*73,823*	82,511	*63,599*	60,507	*41,054*	42,522	*28,794*	31,958	*83,419*	85,250	*27,307*	25,733	*17,308*	19,283
Net balances due to parent co.	..	..	*435*	434	*419*	658	*203*	265	*110*	763	*10,120*	11,543	*47,804*	46,168	*1,268*	1,405
Gilt-edged	*10,161*	9,996	*2,378*	2,906	*173*	1,313	*6,572*	21,910	*5,146*	17,388	*44,353*	44,257	*76,855*	68,113	*14,998*	14,429
Cash	*8,759*	6,698	*27,781*	36,590	*15,047*	22,624	*23,969*	25,910	*30,293*	36,092	*2,914*	3,088	*18,370*	25,170	*1,686*	1,499
Other marketable investments	*978*	930	*4,090*	4,811	*2,157*	1,403	*66*	60	*2,914*	3,088	*6,372*	4,898	*18,370*	25,170	*1,686*	1,499
Intangible assets	..	..	*20,763*	20,590	*2,444*	2,514	*724*	699	*24,783*	24,834	*8,249*	6,995	*1,904*	1,767	*4,068*	4,109
Total Assets	**81,411**	**88,362**	**706,338**	**763,343**	**254,595**	**267,490**	**207,304**	**257,500**	**205,893**	**220,802**	**483,993**	**500,094**	**410,353**	**412,232**	**169,631**	**167,369**
Bank overdrafts and loans	*5*	60	*21,046*	17,501	*20,167*	14,598	*6,652*	8,260	*1,943*	837	*27,941*	21,603	*2,790*	2,225	*6,471*	3,368
Reserve for future income tax	*2,028*	2,452	*33,148*	37,837	*13,436*	11,576	*10,358*	15,990	*10,108*	13,345	*19,589*	18,787	*4,302*	4,895	*3,181*	4,387
Depreciation and obsolescence	*11,424*	12,172	*73,678*	90,489	*27,241*	31,277	*30,013*	37,832	*22,386*	25,498	*79,657*	88,861	*5,411*	6,288	*24,368*	26,842
Capital reserves and EPT refunds	*7,602*	6,268	*161,355*	169,213	*17,726*	19,416	*30,195*	27,136	*8,399*	7 538	*34,520*	35,815	*117,855*	121,972	*14,707*	15,514
Other provisions	*1,062*	922	*2,571*	2,468	*3,482*	4,272	*2,794*	3,414	*4,398*	4,773	*9,402*	9,051	*903*	763	*5,241*	5,837
Current liabilities and creditors	*28,618*	34,496	*101,245*	111,213	*59,377*	56,864	*63,875*	80,357	*34,991*	35,327	*91,854*	91,736	*126,381*	113,810	*22,764*	18,304
Revenue res. and carried forward	*16,035*	17,306	*91,981*	104,186	*50,129*	56,318	*25,802*	26,276	*47,733*	51,071	*88,252*	96,851	*73,137*	77,263	*44,985*	45,389
Net balances due to subsidiaries	*5*	..	*60*	122	*358*	150	*3*	3	*74*	63	*129*	199	..	..	*493*	516
Minority interests	*1,082*	1,089	*21,474*	23,289	*3,855*	4,688	*779*	789	*3,904*	3,600	*14,824*	15,692	*23,067*	23,950	*3,155*	3,200
Debenture capital	*413*	400	*44,810*	50,462	*2,425*	5,694	*827*	832	*12,535*	12,505	*18,555*	18,156	*6,691*	6,082	*5,563*	4,685
Preference capital	*3,390*	3,390	*44,820*	45,019	*13,329*	14,794	*8,378*	10,664	*23,316*	23,701	*33,357*	34,774	*10,326*	10,326	*12,772*	12,850
Ordinary capital	*9,807*	9,807	*110,210*	111,544	*43,079*	47,843	*27,634*	45,947	*36,308*	42,544	*66,613*	68,589	*40,095*	43,658	*25,983*	26,479
Total Liabilities	**81,411**	**88,362**	**706,338**	**763,343**	**254,595**	**267,490**	**207,304**	**257,500**	**205,893**	**220,802**	**483,993**	**500,094**	**410,353**	**412,232**	**169,631**	**167,369**

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS	
No. of Companies	(8)		(17)		(20)		(13)		(117)		(68)		(157)		1,007 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	*26,706*	28,613	*9,007*	9,992	*21,774*	23,199	*297,536*	363 527	*36,056*	37,119	*23,020*	25,537	*155,099*	171,251	*2,443,307*	*2,734,938*
Trade investments	*201*	344	*545*	582	*1,571*	2,284	*166,317*	169,676	*1,617*	1,567	*1,762*	1,113	*52,329*	54,735	*343,469*	*357,244*
Stocks	*9,810*	9,453	*11,763*	13,424	*12,037*	11,505	*68,329*	66,621	*4,716*	3,318	*12,731*	13,304	*38,272*	41,865	*1,302,359*	*1,508,644*
Debtors	*3,281*	3,278	*3,703*	3,891	*6,442*	6,498	*65,409*	67,982	*1,609*	1,279	*3,202*	2,613	*26,786*	28,542	*772,391*	*818,029*
Net balances due to parent co.	..	..	..	..	*298*	289	*9,354*	9,710	*349*	329	..	..	*1,305*	1,690	*19,196*	*20,827*
Gilt-edged	*6,716*	8,414	*69*	67	*547*	525	*23,803*	21,039	*3,955*	4,688	*906*	837	*3,286*	4,013	*167,860*	*173,204*
Cash	*4,209*	4,133	*3,441*	4,006	*3,933*	4,216	*77,415*	56,726	*11,497*	8,599	*4,254*	6,442	*28,310*	27,144	*544,242*	*565,481*
Other marketable investments	*3*	..	*150*	157	*1,419*	1,965	*11,727*	11,875	*774*	774	*2,271*	2,347	*167,017*	178,599	*240,739*	*269,005*
Intangible assets	*2,029*	1,982	*8*	23	*137*	88	*1,233*	1,221	*821*	497	*9*	..	*6,819*	7,649	*160,793*	*98,155*
Total Assets	**52,955**	**56,217**	**28,729**	**32,142**	**48,208**	**50,570**	**723,133**	**768,377**	**61,394**	**58,170**	**47,555**	**52,193**	**478,273**	**515,488**	**6,194,356**	**6,545,527**
Bank overdrafts and loans	*434*	587	*172*	887	*1,450*	880	*1,324*	655	*19*	23	*5,468*	2,625	*4,363*	6,691	*169,261*	*155,206*
Reserve for future income tax	*3,053*	4,206	*1,668*	2,029	*1,587*	1,858	*25,096*	22,548	*2,384*	1,402	*922*	2,720	*6,883*	6,953	*226,757*	*245,862*
Depreciation and obsolescence	*11,648*	12,430	*3,509*	4,151	*7,345*	8,120	*190,417*	196,724	*4,561*	5,208	*7,471*	8,201	*33,725*	38,281	*790,993*	*883,443*
Capital res. and EPT refunds	*6,073*	6,405	*2,529*	1,403	*1,751*	1,420	*48,900*	49,233	*4,013*	4,197	*2,373*	3,876	*51,441*	59,461	*711,446*	*679,794*
Other provisions	*107*	105	*184*	324	*396*	421	*59,007*	59,090	*1,522*	1,620	*235*	242	*6,365*	6,776	*115,273*	*120,250*
Current liabilities and creditors	*5,903*	5,621	*4,495*	4,959	*6,694*	6,721	*137,077*	133,351	*10,121*	6,973	*8,758*	9,779	*46,290*	47,001	*1,218,825*	*1,252,086*
Revenue res. and carried forward	*5,913*	7,041	*7,018*	6,964	*10,066*	10,987	*131,331*	147,105	*11,363*	11,399	*7,495*	9,547	*65,656*	68,036	*1,134,165*	*1,244,576*
Net balances due to subsidiaries	..	..	..	..	..	..	*165*	2	..	..	..	..	*291*	240	*6,301*	*5,442*
Minority interests	*4*	..	..	43	*956*	239	*290*	295	*130*	131	..	..	*10,051*	12,935	*163,783*	*173,951*
Debenture capital	*3,679*	3,612	*726*	726	*4,270*	4,252	*5,439*	24,673	*215*	222	*184*	180	*72,238*	78,075	*314,180*	*348,176*
Preference capital	*8,875*	8,900	*4,142*	4,190	*6,612*	7,362	*31,396*	31,611	*310*	310	*3,777*	3,777	*67,646*	68,190	*458,297*	*467,621*
Ordinary capital	*7,257*	7,308	*4,295*	6,469	*7,731*	8,310	*102,707*	103,090	*26,757*	26,685	*10,880*	11,246	*113,293*	122,849	*885,075*	*969,102*
Total Liabilities	**52,955**	**56,217**	**28,729**	**32,142**	**48,208**	**50,570**	**723,133**	**768,377**	**61,394**	**58,170**	**47,555**	**52,193**	**478,273**	**515,488**	**6,194,356**	**6,545,527**

* This group includes entertainment, hotels and restaurants, canals and docks, electricity supply, gas, telegraphs and telephones, trams and buses, warehousing, waterworks, coal, finance and land and investment trusts.

Statistics

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

British		Overseas	
Prices and Wages	July 3rd	Western Europe:	
Production and Consumption	July 10th	Production and Trade	July 3rd
Manpower	June 19th	British Commonwealth	July 10th
External Trade	June 26th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	June 19th
Industrial Profits	This week	United States	June 26th
		World Trade	This week

World Trade

(Million US Dollars)

	Exports (f.o.b.)					Imports (c.i.f.)				
				Annual Rate					Annual Rate	
	1938	1952	1953	October to December 1953	January to March 1954	1938	1952	1953	October to December 1953	January to March 1954
WORLD										
Total [1]	**20,873**	**74,157**	**74,900**	**78,953**	**73,855**	**23,616**	**80,039**	**76,261**	**77,960**	**75,150**
STERLING AREA										
Total	**5,662**	**18,772**	**18,555**	**19,277**	**18,390**	**7,844**	**21,924**	**19,973**	**20,215**	**19,960**
United Kingdom	2,601	7,638	7,524	8,042	7,854	4,499	9,736	9,366	9,336	9,214
UK dependencies	932	4,389	4,103	3,950	...	963	4,185	4,011	4,065	...
Hong Kong	185	510	480	435	408	188	663	678	610	549
Malaya and Singapore	327	1,280	987	916	916	315	1,265	1,058	1,039	959
Kuwait	...	565	650	690	655	...	145	160	...	...
Gold Coast	52	216	225	207	...	50	186	206	236	...
Nigeria	70	337	351	349	...	66	317	303	334	...
Other sterling countries	2,129	6,745	6,928	7,285	6,554	2,382	8,003	6,596	6,814	6,746
Australia	552	1,690	1,980	2,245	1,810	671	1,979	1,487	1,648	1,779
Ceylon	104	315	329	340	360	86	358	338	345	282
India	621	1,296	1,116	1,250	1,084	575	1,686	1,190	1,040	1,084
Pakistan		532	439	379	419		611	348	398	334
Iraq	68	288	407	432	407[4]	46	173	192	199	191[4]
Ireland	119	284	319	337	289	203	482	514	579	538
New Zealand	225	672	659	619	802	225	739	538	571	634
Northern Rhodesia	50	231	266	285	327	28	134	163	167	311
Nyasaland	5	18	20	21		4	25	21	22	
Southern Rhodesia	30	153	165	143		51	277	244	242	
Union of South Africa	161	965	962	1,032	901	503	1,290	1,310	1,289	1,397
EPU COUNTRIES										
Total continental countries	**6,566**	**19,168**	**19,427**	**21,933**	**19,826**	**7,804**	**21,950**	**21,332**	**22,685**	**22,182**
Belgium-Luxemburg	733	2,445	2,251	2,384	2,128	765	2,444	2,405	2,512	2,456
Denmark	334	851	883	981	896	354	962	997	1,071	1,034
France	881	3,891	3,788	4,183	3,990	1,324	4,435	4,007	3,873	4,199
Germany, Federal Republic	...	4,002	4,389	5,174	4,696	...	3,814	3,771	4,215	3,875
Italy	553	1,386	1,488	1,700	1,574	593	2,336	2,395	2,444	2,561
Netherlands	594	2,130	2,152	2,372	2,309	803	2,251	2,382	2,618	2,648
Norway	192	565	509	544	546	292	873	912	997	963
Sweden	464	1,571	1,477	1,689	1,294	625	1,730	1,579	1,741	1,658
Switzerland	302	1,100	1,204	1,326	1,131	366	1,202	1,179	1,304	1,210
Turkey	115	363	396	488	358	119	556	633	607	457
Total dependencies (excl. sterling area)	**715**	**2,823**	**2,915**	**3,165**	...	**779**	**4,334**	**3,925**	**4,041**	...
Netherlands Antilles	187	731	...	...	770[4]	253	953	...	...	944[4]
NORTH AMERICA										
Total	**4,020**	**19,956**	**20,389**	**20,107**	**17,490**	**3,259**	**16,116**	**16,679**	**15,817**	**15,016**
United States	3,102	15,196	15,773	15,404	13,584	2,465	11,637	11,837	11,157	10,864
Canada [5]	918	4,760	4,616	4,703	3,906	794	4,479	4,842	4,660	4,152
LATIN AMERICA										
Total	**1,641**	**7,081**	**7,568**	**7,935**	**8,740**	**1,539**	**7,595**	**6,430**	**6,930**	**6,125**
Dollar countries	676	4,035	3,949	3,917	4,320	572	3,451	3,384	3,465	3,252
Cuba	143	677	654	428	...	119	667	529	518	...
Mexico	147	581	536	624	618	114	808	821	809	732
Venezuela	181	1,552	1,448	1,624	1,688	107	810	830	880	780
Other countries	965	3,046	3,619	4,018	4,420	967	4,144	3,046	3,465	2,873
Argentina	408	709	1,148	1,108	...	440	1,196	862	1,068	...
Brazil	289	1,409	1,539	2,108	...	295	2,010	1,320	1,470	...
REST OF THE WORLD										
Total	**2,265**	**8,357**	**8,046**	**8,536**	**8,402**	**2,391**	**8,170**	**7,922**	**8,272**	**8,232**
Egypt	147	417	394	460	528	185	608	501	661	394
Indonesia	381	916	820	846	759	275	924	753	727	712
Iran	146	152	...	98	123[4]	79	165	...	178	225[4]
Japan[6]	767	1,273	1,275	1,416	1,370	759	2,028	2,410	2,631	2,894

Figures cover general trade as far as possible. Area totals include estimates for countries for which data are not available. Data refer to calendar years with the following exceptions in 1938:—Australia, year ending June; India and Pakistan, year beginning April; Iran, year beginning June. [1] Excludes China (mainland), USSR, and non-reporting countries of Eastern Europe. [2] Including the trade of Newfoundland in 1938 amounting to $36 million in exports and $31 million in imports. [3] Excluding trade with Taiwan in 1938. [4] Based on two months' data.

Financial Statistics

EXCHEQUER RETURNS

For the ten days ended July 10th there was an "above-line" surplus (after allowing for Sinking Funds) of £5,701,000 compared with a deficit of £21,143,000 in the previous eleven days and a surplus of £1,208,000 in the corresponding period of last year. This brought the cumulative deficit to £142,680,000 (£155,214,000 in 1953-54). Net expenditure "below-line" absorbed £23,423,000 bringing the total cumulative deficit to £248,500,000 (£280,771,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to July 11, 1953	April 1, 1954 to July 10, 1954	Eleven Days ended July 11, 1953	Ten Days ended July 10, 1954
Ord. Revenue					
Income Tax	1800 000	278,512	258,155	39,626	39,401
Sur-tax	132,000	23,000	22,600	1,900	1,700
Death Duties	164,375	50,200	50,500	5,000	5,700
Stamps	55,000	14,800	18,500	1,500	2,100
Profits Tax & EPT.	172,000	50,800	34,800	7,700	5,300
Excess Profits Levy	60,000	14,450	21,100	4,600	6,400
Special Contribution and other Inland Revenue	1,000	330	400	...	50
Total Inland Rev.	2384,375	432,192	406,055	60,326	60,651
Customs	1062,500	296,978	309,008	37,957	33,610
Excise	719 000	183,275	184,429	6,588	17,285
Total Customs and Excise	1781,500	480,253	493,429	44,567	50,895
Motor Duties	77,000	9,149	9,570	1,803	1,503
Broadcast Licences	21,000	3,000	3,850	...	...
Sundry Loans	24.000	6,198	5,842	4,183	3,003
Miscellaneous	245,000	28,043	35,502	2,637	526
Total	**4532,075**	**958,836**	**954,243**	**113494**	**116578**
Ord. Expenditure					
Debt Interest	570,000	148,284	149,542	4,075	8,895
Payments to N. Ireland Exchequer	51,000	12,884	13,057	1,712	1,747
Other Cons. Fund	10,000	3,673	3,157	2,355	2,346
Supply Services	3856,399	941,786	923,137	103200	96 750
Total	**4486,399**	**1,106,626**	**1,088,891**	**111342**	**109738**
Sinking Funds	36,000	7,422	8,033	944	1,139
"Above-line" Surplus or Deficit		— 155,214	— 142,680	+ 1,208	+ 5,701
"Below-line" Net Expenditure		125,557	105,820	13,708	23.423
Total Surplus or Deficit		**280,771**	**248,500**	**12.500**	**17,722**
Net Receipts from:					
Tax Reserve Certificates		63,267	141,009	5,802	19,610
Savings Certificates		9,700	4,900	900	300
Defence Bonds		— 21,119	— 7,829	— 1,722	— 450

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
July 11	3,190·0	1,430·0	255·3	2·3	4,877·5
1954					
April 10	3,150·0	1,387·8	298·2	...	4,836·0
„ 17	3,190·0	1,382·7	308·3	...	4,881·0
„ 24	3,210·0	1,359·3	315·0	...	4,884·3
May 1	3,230·0	1,350·2	287·2	...	4,867·4
„ 8	3,240·0	1,272·2	266·9	...	5,134·2
„ 15	3,260·0	1,627·9	276·8	...	5,164·7
„ 22	3,290·0	1,595·7	305·0	...	5,190·6
„ 29	3,320·0	1,579·8	270·6	...	5,170·4
June 5	3,340·0	1,274·1	278·9	...	4,893·1
„ 12	3,320·0	1,332·8	274·6	...	4,927·3
„ 19	3,300·0	1,372·1	296·1	...	4,968·2
„ 30	4,700·0		268·6	3·3	4,971·8
July 10	3,280·0	14,32·5	260·2	...	4,972·7

THE MONEY MARKET

THE Treasury bill rate fell by 3/64 per cent at last Friday's tender, when the market raised its bid for the £270 million of bills on offer by 3d. to £99 12s. 2d. per cent in an attempt to replenish its bill portfolio. But as applications rose by over £12 million to £396.2 million and the offer was under-allotted by £20 million, the proportion of the market's bid to be allotted rose only from 60 to 65 per cent. The average rate of discount fell by nearly 1s. to £1 11s. 3.9d. At yesterday's tender the offer was reduced to £240 million.

Credit conditions have been varied. On Thursday before the week-end funds were short, and the authorities made substantial special purchases. On Friday conditions were more comfortable; no special aid was needed, and after the Treasury bill tender the banks bought bills at 1 5/32 per cent. Small official purchases were again necessary on Saturday and Monday, but credit then became plentiful.

Turnover in the gold market was considerable on Thursday before the week-end, and the price at the fixing rose by 1s. 3d. to 249s. 1d. per ounce. Subsequently, however, business became quieter, and the price fell steadily until Tuesday.

The fiduciary issue was raised by £50 million, to £1,725 million during the week. The Bank return shows a further outflow of notes of £14.3 million in the week to Wednesday last.

LONDON MONEY RATES

	%		%
Bank rate (from 5½%. 13/5/54)	5	**Discount rates**	
Deposit rates (max)		Bank bills: 60 days	1 3/16
Banks	1½	3 months	1 3/16
Discount houses	1½	4 months	1 3/16
		6 months	1 3/16
Money—Day-to-day	1 –1½	Fine trade bills:	
Short periods	1½–1¾	3 months	2½–3
Treas. bills 2 months	1 7/8	4 months	2½–3½
3 months	1 7/8	6 months	3 –4

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	July 15	July 7	July
Issue Department:*			
Notes in circulation	1,567·0	1,661·7	1,666·
Notes in banking dept.	33·4	13·7	·4
Govt. debt and securities*	1,596·7	1,671·2	1,7
Other securities	0·8	0·8	
Gold coin and bullion	2·9	3·4	
Banking Department:			
Deposits:			
Public accounts	10·0	18·4	
Treasury special account	38·4	8·7	
Bankers	278·9	274·0	2
Others	66·6	66·9	67·
Total	393·9	368·0	378·4
Securities:			
Government	350·8	349·4	323·4
Discounts and advances	13·0	7·2	7·8
Other	12·6	13·6	13·9
Total	376·4	370·2	345·1
Banking department reserve	35·9	15·9	51·6
"Proportion"	% 9·1	% 4·3	% 13·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,675 million to £1,725 million on July 15, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment % d	Allotted at Max Rate %
1953					
July 10	260·0	353·4	260·0	47 3·47	65
1954					
April 9	270·0	392·2	270·0	42 4·05	59
„ 16	250·0	417·2	250·0	41 7·41	44
„ 23	250·0	415·4	250·0	41 7·34	38
„ 30	250·0	457·5	250·0	40 11·36	38
May 7	240·0	406·6	240·0	40 10·84	43
„ 14	260·0	391·7	260·0	34 1·75	60
„ 21	270·0	400·7	270·0	34 3·24	54
„ 28	270·0	426·8	270·0	34 3·33	49
June 4	270·0	414·3	250·0	32 11·61	58
„ 11	260·0	418·3	250·0	32 3·58	57
„ 18	260·0	400·6	250·0	31 7·57	56
„ 25	260·0	426·0	260·0	32 1·48	38
July 2	270·0	384·0	270·0	32 3·41	60
„ 9	270·0	396·2	250·0	31 3·90	65

* On July 9th tenders for 91 day bills at £99 12s. 2d. secured about 65 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was to a maximum amount of £240 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: July 14	Market Rates: Spot: July 8	July 9	July 10	July 12	July 13	July 14
United States $	2·78-2·82	2·81⅛-2·81⅝	2·81⅛-2·81⅝	2·81⅛-2·81⅝	2·81⅛-2·81⅝	2·81⅛-2·81⅝	2·81⅛-2·81⅝
Canadian $	...	2·75 7/16-2·75 9/16	2·74 15/16-2·74 15/16	2·74 7/16-2·74 15/16	2·74 7/16-2·74 15/16	2·74⅛-2·74⅜	2·73⅞-2·73⅞
French Fr.	972-65-987-35	98⅝-98¼	983-983½	98⅝-98⅜	98⅜-98⅛	98⅛-98	98⅛-98⅛
Swiss Fr.	12·15 7/16-12·33 7/16	12·21-12·21⅛	12·20⅞-12·21	12·20⅞-12·21	12·20⅜-12·20⅞	12·20⅛-12·20⅜	12·20⅛-12·20⅜
Belgian Fr.	138·95-141·05	140·45-140·50	140·45-140·50	140·45-140·50	140·47½-140·52½	140·40-140·45	140·20-140·25
Dutch Gld.	10·56-10·72	10·62⅛-10·62⅝	10·62⅛-10·62⅝	10·62⅛-10·62⅝	10·62⅛-10·62⅝	10·62⅛-10·62⅝	10·62-10·62⅛
W. Ger. D-Mk.	11·67 7/16-11·84 7/16	11·73-11·73⅛	11·72½-11·73	11·72½-11·73	11·72½-11·73	11·72⅛-11·72⅝	11·71⅞-11·72
Portuguese Esc.	79·90-80·10	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05
Swedish Kr.	14·37⅛-14·59⅛	14·53⅛-14·53⅜	14·52⅛-14·52⅞	14·52⅛-14·52⅞	14·52⅛-14·52⅞	14·52⅛-14·52⅞	14·52-14·52
Danish Kr.	19·19⅛-19·48⅛	19·42⅛-19·43⅛	19·42⅛-19·42⅞	19·42⅛-19·42⅞	19·41⅞-19·42⅞	19·41⅞-19·42⅛	19·40⅞-19·41⅛
Norwegian Kr.	19·85-20·15	20·01-20·01⅛	20·01-20·01⅛	20·01-20·01⅛	20·01-20·01⅛	20·01-20·01⅛	20·01-20·01⅛

One Month Forward Rates

United States $	⅛c. pm-par ⅛-¼c. dis	⅛c. pm-par ⅛-¼c. dis	⅛c. pm-par ⅛-¼c. dis	⅛c. pm-par ⅛-¼c. dis	⅛c. pm-par ⅛-¼c. dis	⅛c. pm par ⅛-¼c. dis
Canadian $	2-4 dis	2-4 dis	2-4 dis	2-4 dis	2-4 dis	2½-4½ dis
French Fr.	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par
Swiss Fr.	Par-½ dis	Par-½ dis	Par-½ dis	Par-½ dis	Par-½ dis	½ pm-½ dis
Belgian Fr.	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm
Dutch Gld.	½pf. pm-½pf. dis	½pf. pm-½pf. dis	½pf. pm-½pf. dis	½pf. pm-½pf. dis	½pf. pm-½pf. dis	½pf. pm-½pf. dis
W. Ger. D-Mk.	1½-1⅝ pm	1½-1⅝ pm	1½-1⅝ pm	1½-1⅝ pm	1½-1⅝ pm	1½-1⅝ pm
Swedish Kr.	2-4½ dis	4-7½ dis	4-7½ dis	4-7½ dis	4-7½ dis	4-7½ dis
Danish Kr.	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis
Norwegian Kr.						
Price (s. d. per fine oz.)	249/1	249/-	...	248/11½	248/11	248/11

Gold Price at Fixing

Your BANKERS

MARTINS BANK

MARTINS BANK LIMITED

London District Office: 68 Lombard Street, E.C.3,
HEAD OFFICE, WATER STREET, LIVERPOOL, 2.

Total Assets (as at 30th June 1954) £343,754,026

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INDIA · PAKISTAN · BURMA · CEYLON · MALAYA · SINGAPORE
HONG KONG · CHINA · MAURITIUS · THAILAND · JAPAN

ABRIDGED PARTICULARS.

Application has been made to the Council of the Stock Exchange, London, for permission to deal in and for quotation for all the issued Preference and Ordinary Shares in the Capital of the Company.

WOOD & SONS (HOLDINGS) LIMITED

(Incorporated under the Companies Act, 1948.)

EARTHENWARE MANUFACTURERS

Ringwood ... Jware WOOD & SONS ENGLAND — WOOD'S WARE Jasmine ENGLAND — VITRIFIED HOTEL WARE WOOD & SONS LTD BURSLEM ENGLAND — WOOD'S WARE Beryl ENGLAND

SHARE CAPITAL

Authorised:	Issued and Fully Paid:
£100,000 in 100,000 7½ per cent. Cumulative Redeemable Preference Shares of £1 each	£100,000
£200,000 in 4,000,000 Ordinary Shares of 1/- each ...	£200,000
£300,000	£300,000

(Neither the Company nor any of its Subsidiaries has any Mortgages, Debentures or Loan Capital outstanding.)

The full particulars show (inter alia) that:

1. Business: The business of **Wood & Sons Limited** was founded in 1865 by Mr. Absalom Wood and his son Mr. Thomas Francis Wood, the father of the present Chairman, and was aquired by that company on its incorporation in 1910. Wood & Sons Limited is one of the leading manufacturers of domestic earthenware in this country. Its name is well known in the Pottery Trade in most of the world markets. Its products include plain and decorated table ware, artware and vitrified hotel ware. Wood & Sons Limited has five subsidiaries which carry on business as earthenware, teapot and glazed tile manufacturers, processors of stone and flint and manufacturers of export casks and other packaging for the pottery industry.

2. Assets: The net tangible assets of the Group amount to £489,080 which is sufficient to cover the nominal amount of the issued Preference Shares and the premium payable on their redemption more than **four times.**

3. Dividend: On the realisation of the profit estimate of £86,000 (subject to tax) and in the absence of unforeseen circumstances, the Directors will feel justified in recommending a dividend on the Ordinary Shares at the rate of 15 per cent. per annum (less tax) for the period 15th July, 1954, to the 31st December, 1954.

4. Profits: The following are the combined profits (before tax) of the Operating Companies and of Bursley Manufacturing Company for the periods stated.

Col. (1) *Years ended 31st December.*	Col. (2) *Profits (as defined below).*	Col. (3) *Depreciation of Fixed Assets.*	Col. (4) *Profits before Directors' Remuneration and Taxation (Col. (2) less Col. (3))*
	£	£	£
1944	38,683	7,203	31,480
1945	30,432	7,947	22,535
1946	73,908	9,864	64,044
1947	106,109	11,359	94,750
1948	108,841	12,997	95,844
1949	113,250	13,026	100,224
1950	114,759	14,508	100,251
1951	131,506	19,601	111,905
1952	119,655	21,249	98,406
1953	127,855	22,320	105,535

H

WOOD & SONS (HOLDINGS) LIMITED

A copy of the full particulars can be obtained from your Stockbroker or HODGSON & BAKER, 6, Throgmorton Street, London, E.C.2, and The Stock Exchange, London, E.C.2,

or from

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.

by filling in and posting this form to either of the above.

SURNAME _____

CHRISTIAN NAME(S) _____

ADDRESS IN FULL _____

_____

THE CENTRAL BANK OF INDIA LIMITED

(Incorporated in India. The Liability of the Members is limited)

Established 1911

...

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CENTRAL BANK BUILDING,
MAHATMA GANDHI ROAD, FORT, BOMBAY.

LONDON OFFICE:
159 FENCHURCH STREET, LONDON, E.C.3

...

Chairman - - - - Sir Homi Mody, K.B.E.
Managing Director - - - - H. C. Captain

...

Paid up Capital	Rs.	3,14,54,250
Reserve Fund and Other Reserves	Rs.	3,99,79,642
Deposits	Rs.	1,17,97,35,183

...

290 branches and pay offices throughout India, Pakistan and Burma.

Banking business of every description transacted

...

London Adviser - - Sir Cecil Trevor, C.I.E.

CROWN ZELLERBACH CORPORATION

(Incorporated in the State of Nevada, United States of America)

Manufacturers of pulp, paper and allied products, lumber, plywood and other forest products

SUMMARY OF CONSOLIDATED RESULTS FOR THE YEAR ENDED APRIL 30, 1954

	1954	1953
Net sales	$297,959,000	$252,765,000
Income before taxes on income	$ 52,978,000	$ 44,451,000
Net income	$ 26,828,000	$ 21,890,000
Dividends paid	$ 14,166,000	$ 10,090,000
Earnings retained in the business	$ 12,662,000	$ 11,800,000
Shares of common stock outstanding April 30	7,240,644	5,831,494
Per share of common stock outstanding (1):		
Income before taxes on income	$7·38	$7·39
Net income	$3·65	$3·52
Dividends paid	$1·85	$1·50
Retained in the business	$1·80	$2·02
Federal, state and other taxes (excepting social security taxes)	$ 30,861,000	$ 26,168,000
Properties:		
Acquired with new subsidiaries	$ 43,818,000	—
Other additions and improvements	$ 17,808,000	$ 13,196,000
Working capital	$ 99,201,000	$ 80,634,000
Ratio of current assets to current liabilities	4·57 to 1	5·01 to 1
Consolidated long term debt (including current portion)	$ 57,984,500	$ 38,800,000
Production of paper and paperboard for sale —in tons	1,058,809	894,384

(1) Based on the average number of shares outstanding during year.

Copies of the Annual Report for the year ended April 30, 1954, may be obtained from the London Transfer Agents, The British Empire Trust Company, Limited, 52-60 Bishopsgate, E.C.2 on application.

Residents in the British Isles, whose shares are not registered in their own names, and other interested parties who wish their names placed on the mailing list for future communications, should notify the London Transfer Agents accordingly.

COMPANY MEETINGS

LONDON AND MANCHESTER ASSURANCE COMPANY, LIMITED

PROGRESS RECORDED IN ALL BRANCHES

RISING INTEREST INCOME

TREASURY CONTROLS RESTRICTING INDUSTRIAL DEVELOPMENT

LORD GRANTCHESTER REVIEWS THE YEAR'S RESULTS

The following is the speech of the chairman, Lord Grantchester, OBE, at the eighty-fifth annual general meeting, held on July 15, 1954, at the Chief Office, Finsbury Square, London, E.C.2.

ACCOUNTS

The accounts for the year ended March 24, 1954, and the directors' report have been in your hands for some weeks, and I assume you would wish me to take them as read. I will not weary you with a repetition of figures which you will have studied, but confine my comment to the more significant or interesting features of the year's results.

Progress was made in all branches, and the company's income was up by £320,000. The total assets increased by £2½ million.

Claims by death were normal during the year.

INVESTMENTS

The most notable change in the accounts is in the distribution of the assets shown in the balance sheet. There is no material change in our aggregate holding of Government and Government Guaranteed Stocks. It may interest you to know that over 80 per cent of this total holding is in securities having definite redemption dates which, having regard to the nature of the company's liabilities, is considered appropriate. Accepting the view that changes in the bank rate are likely to be more frequent in the next few years than in the last twenty years, your directors also feel that this type of security is likely to fluctuate within narrower limits than those without definite redemption dates.

Holdings in equities have been increased by £2½ million. Needless to say, these purchases have been selected with great care and the stocks will be watched with the same care. If, as we all hope, British industry continues to flourish we can look forward to a modest increase in investment income in the future.

In making these investments we have had the advice and unrivalled experience of our new directors, Mr Lewis Whyte and Mr H. L. Rouse, whose assistance the other members of the board gratefully acknowledge.

We have benefited from the greater confidence prevailing in the country and the greater freedom now being allowed to private industry for initiative. I am happy to be able to report that at March 24th last the balance sheet values were in total less than the market values. It was not necessary to call upon the Investments Reserve Fund to support the balance sheet values.

VALUATION AND BONUS

We have therefore felt able to strengthen the valuation bases of the liabilities in both life branches. We have also made reversionary the 1952 bonuses which were that year declared only as interim bonuses.

In addition, fortified by what we hope is a rising interest income, we have felt justified in increasing the bonus to ordinary branch policy holders.

DIVIDEND

Your directors have recommended an increase in dividend which they hope will be regarded as a sign of faith and confidence in the continued progress of the company.

PROPOSED CHANGE OF FINANCIAL YEAR

There are two other matters of which I consider I should advise you. After very careful consideration and advice, it is the intention of the directors to change the date at which the company's accounts are made up and conform to the practice of most insurance companies of making the accountancy period end on December 31st in each year. The next accounts will therefore be made up to December 31, 1954, and will cover a period of nine months only. Your directors also intend not later than the next annual general meeting to submit a proposal to subdivide the shares in order to facilitate a freer market and to encourage a wider circle of friends of the company including policy holders and members of our staff to acquire a measure of ownership in the enterprise in which they are interested.

VISITS OF THE DIRECTORS TO PROVINCIAL CENTRES

In order to meet as many of the staff as possible on their own ground, visits by the whole board have been made to various provincial centres at which during the year they have met personally the officials of eight divisions out of a total of 16. They plan to meet the remainder within the current year. In addition, Mr Mann, Mr Reed and I have visited the two divisions leading in progress and met every member of the staff including the agents in those divisions.

These visits of the directors have created a lot of interest and I believe have helped to foster a family spirit among all who serve the company.

TECHNICAL TRADING AND INCENTIVES

More and more attention is being given today in industry to two subjects: first, improved technical training; secondly (faced with the disincentive of a scale of progressive taxation too steeply graded) the institution of incentives to employees to introduce new ideas and methods which directly contribute to expansion and which are linked in some way with the proprietary interests of shareholders. Both these matters deserve, in my opinion, most earnest consideration in relation to our business.

SELLING INSURANCE

It is prudent and necessary for all business enterprises to adapt their methods and wares to current conditions and demand. This is equally true of the insurance business; but upon us who have an organisation that literally operates on the doorstep of the home, is laid an additional duty, a responsibility—I will not say to educate—but to familiarise those upon whom we call with the choices they can make. To be able to sell life or endowment insurances we must first convince those upon whom we call of the merit of restraint — of abstaining from immediate expenditure upon some tempting indulgence. We have to fight against the prevalent fatalism engendered by ever increasing preoccupation with more and more deadly weapons of destruction. Then we have to fit the particular circumstances—not only to the right type of policy but to the most convenient method of payment. The right type of policy will be the policy where the benefits are payable to meet a need which it is anticipated will arise at a future date; first—provision against the death of the breadwinner; then to build up for the needs of old age; then to add to the joy of a whole host of anticipated happy occasions, the coming-of-age, marriage, the starting up on their own of members of the family. The most convenient method of payment will be that which fits in with the habits of the policy owner. Today there is no distinction in character among the policies available to those who find it most convenient to pay weekly, monthly, or at longer intervals. It is true that the cost of collection must necessarily be higher the greater the frequency of collection. We accept the obligation to inculcate and encourage an increasing sense of thrift to make it practicable to collect less frequently. But it cannot be too strongly emphasised that the weekly collections we make bring to every citizen the opportunity of investing (albeit indirectly) each week in British industrial enterprises and in British Government securities, for that is, in simple terms, exactly what they are doing. What is more, the success or otherwise of British industry has become a matter of significant importance to all these thrifty people. A substantial part of the profits distributed by industry today finds its way through profit-sharing insurances and pension funds into the pockets of the many who by their thrift are building capital by instalments.

PROFIT-SHARING ADDITIONS

This year the bonus distributions made by the London and Manchester are costing no less than £1,370,000. That such additions

should continue to be possible, of course, calls for skilful management and wise investment, but every worker in the great industries of the country should know that the more successful they can help to make the great industries in which they work the greater the benefit that will accrue to them and their colleagues as profit-sharing policy holders in a company like ours. They should also realise that the great drain upon industry today is the excessive level of taxation which has been absorbing as much as two-thirds of the profits of many companies, just as it is also the great drain upon personal earnings. This drain of taxation affects not only those in the middle and higher income groups through direct taxation but also those in the lower income group through indirect taxation. Everyone has, therefore, the most direct interest to press for economy in government expenditure, which alone can make possible a reduction of taxation. Lower taxation means more money in every pocket with greater opportunities for private investment. Provided an increased percentage of a rising net income is saved we should not deplore a modest increase in personal expenditure upon consumable goods, for, if this were not possible, one of the most powerful incentives to higher productivity is removed.

In my view a more widespread understanding and appreciation of the damage to confidence by threats of predatory raids upon property and personal savings, and a reduction of taxation affecting incomes to a level comparable with that prevailing in alternative fields of investment in other countries are necessary prerequisites to the restoration of full convertibility. Otherwise there is bound to be a drift toward areas where there is greater security or greater profitability for investment.

I make no apology for mentioning convertibility and its implications here, because a pound which is not convertible in the hands of a British subject is not a sound pound—the only sort of pound of which we can be proud. It is only a sound pound that will sustain purchasing power and so protect the savings of the people over a period of years, an objective with which we are so vitally concerned in our business.

Before I leave this subject, I suggest that what is needed today is not only the expansion of existing industries, but a widening of the field of investment. The continuance of Treasury controls in various forms hampers and restricts development and in some cases cramps a desirable spreading of the investment risk.

STAFF

It remains for me once again to express our appreciation of the assistance and courtesy of the directors, officials and staff of the County Fire Office, who have continued to place their experience of fire and accident business at the disposal of our staff and policy holders; and to express our thanks to the officials and staff of the London and Manchester, who have laboured to secure the results before you.

In doing this, I wonder whether I may depart from the conventional expression of the appreciation of the board to the staff for their work. I should like to include in my remarks a personal message to every member of the staff. Going about the country, I have been gratified that what I said last year was noted. Then I referred to the desire of the board that every member of the staff should work with dignity and a sense of responsibility as a person of importance in our organisation which is rendering a vital service to the public. I also expressed the hope that all members of the staff would enjoy their work as well as earn a fair reward. I want to thank those who have responded to that appeal by extra effort. But some may think that good intentions in a chairman's speech do not always materialise in action. I want to say that I am not fully satisfied with achievement—we never should be anyway—but that does not make us any less sincere in our aim. Achievement often falls short of purpose. Achievement is dependent upon an inter-play of effort between management and staff and an exchange of ideas at all levels which results in genuine co-operation.

Let us go forward together this year in which the funds with which we have been entrusted have reached the £50 million mark.

The report and accounts were adopted.

C. C. WAKEFIELD AND COMPANY LIMITED

NEW RECORDS ESTABLISHED

MORE FAVOURABLE TRADING CONDITIONS OVERSEAS

MR L. W. FARROW ON THE YEAR'S ACHIEVEMENTS

The thirty-seventh annual general meeting of C. C. Wakefield and Company, Limited was held on July 9th at Winchester House, Old Broad Street, London, E.C.2, Mr L. W. Farrow, CBE (the chairman) presiding.

The secretary read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts:

Since our last annual general meeting, Mr H. Y. Blades, who was a joint managing director of the company from 1938 to 1949, has resigned from the board. He was one of the original staff who started with the late Viscount Wakefield when this organisation was founded in 1899. We are deeply grateful to Mr Blades for his outstanding contribution to the interests and development of the company over a long period of years and all his friends and members of the Wakefield group affectionately wish him many years of health and happiness in his retirement.

Sir Cullum Welch, who has been the company's legal adviser for more than twenty years, has been appointed to the board and we are fortunate in securing his services as a director.

THE YEAR'S RESULTS

It gives me much pleasure to be able to announce to stockholders that the year 1953 established new records both in sales and profits for our group of companies, and the forecast which I made in my statement last year has been more than fulfilled. The group trading profit amounted to £3,274,450, as compared with £1,321,448 for the year 1952 and £1,667,931, our previous record, in 1950.

During 1953 increased sales were recorded throughout the group, both at home and overseas, and I am happy to say that the group sales of "Castrol" were a record in the history of the company.

W. B. Dick and Company, Limited, our principal subsidiary in the United Kingdom, continues to uphold its long established reputation in the particular spheres of electrical oils and marine lubricants and has made a substantial contribution towards the group profits for the year.

OVERSEAS

Our overseas branches, subsidiary companies and agents enjoyed, in varying degrees, more favourable trading conditions. I have referred in recent years to the sustained progress made by our French company which, owing to Government regulations, was not able to reintroduce "Castrol" until the middle of 1951. I am pleased to report that in 1953 both sales and profits were higher than ever before.

In referring to the volume of overseas trade, I would mention that in certain territories our oils are manufactured and blended under licence in accordance with our patents and trade marks and the sales of oils so produced by our agents have increased considerably. We are obtaining the benefit from royalty and licence fees proportionate to these higher sales. We are also proceeding with the expansion of our overseas trading by establishing subsidiary companies in certain territories formerly operated by agents and we shall ensure that we retain their co-operation and goodwill. This policy of further development of overseas trade should prove of benefit to group trading in future years.

CONSOLIDATED BALANCE SHEET

The consolidated balance sheet of the company and its subsidiary companies appears on pages 6 and 7, the principal changes being an increase of £720,172 in total shareholders' interests to £6,404,138 and the substantial improvement in group liquid resources.

The balance sheet of the parent company on pages 8 and 9 follows a similar pattern and both confirm the sound foundation of our company.

The consolidated profit and loss account of the group appears on pages 4 and 5 and, as I have already mentioned, the increased earnings have come from all sections of the group. It will be seen that the sum of £183,027 has been provided for pensions in addition to the normal charges for staff superannuation schemes. This provision represents the approximate liability, on an actuarial basis, of allowances granted supplementary to the pensions of those directors, executives and other members of the staff whose pensions were not commensurate with their salary or length of service at the date of retirement. After the usual provision for taxation and adjustments in respect of outside shareholders, the consolidated net profit of C. C. Wakefield and Company, Limited and its subsidiary companies amounts to £1,011,163, as compared with £341,557 for the year 1952.

DIVIDENDS

Your directors have recommended the appropriations set out in the consolidated profit and loss account including the payment of a final dividend of 30 per cent, together with a cash bonus of 2½ per cent, both less tax, as compared with a final dividend of 27½ per cent, for the previous year. After provision for dividends and transfers to reserves, the balance of group profits carried forward is increased from £648,363 to £692,700.

I think it is appropriate that I should take this opportunity of commenting upon the increasing number of statements suggesting that our company is negotiating or considering an amalgamation with or absorption by one of the petrol companies. None of these reports has any foundation in fact.

PIONEERS OF CHEMICAL ADDITIVES

I believe that we are now the largest independent organisation in the world specialising in the production and distribution of lubricants. We are also manufacturing large quantities of chemical additives, the development and use of which we pioneered. Research continues to enable us to maintain a leading position in the specialised field of lubrication and you will be interested to learn that our scientists have now perfected a load-carrying additive which is such an advance in its sphere that it will enable designers to improve marine reduction gearing to an extent which was previously impossible owing to the absence of suitable lubricants.

The group statistics so far available for the current year indicate a continuance of increasing sales and satisfactory trading results.

The accomplishments of the year are due in no small measure to the continued loyalty and hard work of the directors, executives and all members of the staff throughout the world and I am happy to have the opportunity, once again, of paying this tribute to them.

The report and accounts were adopted and the final dividend of 30 per cent and cash bonus of 2½ per cent, making 42½ per cent for the year on the ordinary stock, were approved.

The retiring directors, Mr W. H. Senneck, Captain G. E. T. Eyston, OBE, MC, and Sir G. J. Cullum Welch, OBE, MC, were re-elected and the other formal business having been duly transacted, the proceedings terminated.

ELLAMS DUPLICATOR

CAPITALISATION OF RESERVES

The annual general meeting of Ellams Duplicator Company, Limited, was held on July 14th in London, Mr Frederick Ellam (the chairman) presiding.

The following is an extract from his circulated statement for 1953:

The period under review has been a year of very keen competition, and whilst turnover was not unduly affected, generally speaking, selling prices were lower.

While your directors feel that, all things considered, the results are satisfactory, it is clear that every effort should be made to reduce production costs. Additional machinery of special design and improved productive capacity has been installed in the main factory and further plant of the latest design is on order at the present time.

The demand for your company's Duplicators continues to increase and we are finding it necessary to build an extension to the engineering factory to meet this increased demand.

Trade during the first six months of 1954 shows signs of improvement, and if this tendency continues the prospect for the current year is reassuring.

Your directors are recommending that the sum of £12,500 should be capitalised from the general reserve account and should be applied in issuing to the ordinary shareholders as fully paid one ordinary share of 1s. for every nine ordinary shares of 1s. each held by them at the close of business on July 16, 1954.

The report was adopted, and at a subsequent extraordinary general meeting the capitalisation of reserves was approved.

THE METAL BOX COMPANY LIMITED

SIR ROBERT BARLOW'S REVIEW

The thirty-third annual general meeting of The Metal Box Company Limited was held on July 16th at the May Fair Hotel, Berkeley Street, London, W.

Sir Robert Barlow, the chairman, presided.

The following are extracts from the directors' report and chairman's review:

PROFIT AND LOSS ACCOUNT

Group sales exceeded £43 million and constituted a record. Group trading profits before tax of £3,838,243 were £538,065 higher than a year ago, notwithstanding a reduction in the profits of the overseas group.

Profits, after providing for taxation, were £1,730,892 against £1,302,905.

THE YEAR

The year has been one of exceptional activity, both in demand for the company's production and also in the development work which the company has undertaken. The demand from the many industries which we serve has resulted in our working at practically full capacity on containers made from metal or from board.

A factory has been bought at Leicester and is being equipped for printing tinplate and the production of general line containers.

An opportunity also occurred to acquire on a share exchange basis the business of Brown, Bibby and Gregory, Limited, of Speke. This company produces labels, folding boxes and packages made from paper, plastics, and film.

Since March 31, 1954, the company has completed the purchase of Flexible Packaging, Limited, of Portsmouth. This company is engaged in the extrusion, printing, conversion, and lamination of polyethelene. By this acquisition we also obtain rights to technical information from the United States.

TINPLATE

In my review last year I stated that the demand for tinplate was, at that time, less than the supply, but I recorded my apprehension that "demand would soon again exceed supply, and that a further period of shortage would ensue until the new cold reduction mills at Ebbw Vale and Velindre came into production towards the end of 1955 and 1956."

The new mills of The Steel Company of Wales at Margam and Trostre have come into production with remarkable efficiency, and have set up what we believe to be world records of production. Despite this most commendable achievement, the fact remains that demand now again exceeds supply, and I must repeat what I said last year, "the outlook is a source of anxiety for all concerned."

EXPORTS

In the year under review we exported direct to over 40 countries, including North and South America, more than £2,200,000 of empty metal containers, nearly £500,000 of machinery, and over £2 million of ancillary materials.

Additionally, we supplied more than £4 million worth of containers to our home customers, who exported them filled with various commodities to a value of at least £35 million. In total, therefore, of our own home production at least 20 per cent was, in fact, exported.

The report and accounts were adopted.

THOMAS BROWN & SONS

RECORD TURNOVER

The fifty-seventh annual general meeting of Thomas Brown & Sons, Limited, was held on July 8th in London, Mr John M. Lawrence (the chairman) presiding.

The following is an extract from his circulated statement:

The turnover for the year under review constituted a record in the history of the company. The expansion is due to the increasing population of the State of Queensland, where the company's branches are chiefly situated; the development of secondary industries; the easing of import restrictions; the improvement in the dairying industry following the dry year of 1952; the firm price of wool; and the pursuance by our staff of an active sales policy.

The final results for the year under review show a net profit, after taxation, of £78,202. In furtherance of the policy hitherto adopted, without which the company would not today be in its present enviable position, substantial funds have been placed to reserve.

It will be appreciated that Queensland's prosperity depends largely on the price of wool, which is at present satisfactory, and on other factors, such as the export prices obtained for copper, lead, sugar, dairy products and wheat. Drought conditions prevailed over most of the Central Queensland area during the latter part of 1953, but abundant rains were experienced early in the new year. Seasonal conditions are now, however, good. Sales for the first few months of the current year show a further expansion and the prospects would appear to be satisfactory.

The report was adopted.

WORTHINGTON-SIMPSON, LIMITED

SATISFACTORY ORDER BOOK

The sixty-third annual general meeting of Worthington-Simpson Limited was held on July 8th in London, Sir Samuel R. Beale, KBE (the chairman), presiding.

The following is an extract from his circulated statement:

It is my pleasure to again submit a satisfactory report and statement of accounts in respect of our operations for 1953. The trading profit, at £642,689, although lower than the preceding year, must be considered satisfactory in the light of reduced profits from our Indian business. In April, 1953, the Indian Government prohibited the import of most pumps up to 6 inches suction, which sizes represented a large portion of our trade there. In consequence, we decided to close our Indian branch. The net profit for the year is £224,996, compared with £239,603 for 1952.

Our order book still stands at about the same high level as last year, and we are assured of a steady load on the heavy engineering side for the next year or two. Incoming business for the first quarter of this year in our trade lines of pumps is better than for the first quarter of last year.

In addition to the usual dividend distribution, it is proposed to distribute a share bonus of one new 10s. ordinary share for every twelve ordinary shares held.

The report was adopted and a final dividend of 10 per cent, less tax, making 20 per cent, less tax, for the year was declared.

At a subsequent extraordinary general meeting the bonus issue was approved.

GOODLASS WALL AND LEAD INDUSTRIES

IMPROVED TRADING RESULTS

MR J. L. McCONNELL ON COMPANY'S FINANCIAL STRENGTH

The twenty-third annual general meeting of Goodlass Wall and Lead Industries, Limited, was held on July 15th in London, Mr J. L. McConnell, the chairman, presiding.

The following is an extract from his circulated statement:

It is with pleasure that I am able to report that the group profits before taxation at the satisfactory figure of £2,472,786 show an improvement of £991,500 over those for the preceding year. Provision has been made for taxation on the year's profits and, although there is no EPL liability, this absorbs, as will be seen, rather more than 50 per cent of the profits. After making this provision and the usual adjustments for initial allowances and base stocks, and after deducting minority interests, the net consolidated profit becomes £1,060,514. The group balance sheet again discloses a position of great strength, and the improvement in the liquid position to which I referred in my last statement continued steadily until the end of the year.

I should like, however, to draw your attention to the company's own balance sheet, which shows considerable changes compared with the previous year. A few years ago the activities of the principal United Kingdom subsidiaries trading in lead, antimony and tin products were, as you know, amalgamated under the name of Associated Lead Manufacturers, Limited, which is today our main subsidiary, and in the course of last year the Liverpool paint business was transferred to Goodlass Wall and Company, Limited, which is now our main subsidiary on the paint side. This is a logical step as the result of which the company has now become purely a holding and management company.

UNITED KINGDOM COMPANIES

The trading of our subsidiary companies in the United Kingdom in the early part of 1953 was at much the same level as in 1952. Indeed, in my review of our operations at this time last year I deemed it prudent to sound a warning as to the immediate future and to express the opinion that no great improvement over the 1952 results could be looked for. However, in the early summer a somewhat unexpected all-round improvement in trading conditions developed. This was due in part to the relaxation of the steps which had been taken by the United Kingdom and other Commonwealth Governments in the previous year to stop the decline in sterling balances. In the case of Associated Lead Manufacturers, Limited, the result was a substantial improvement in demand from the battery, glass and paint trades, and deliveries in the second half of the year were at higher levels than in the first half and, I am glad to say, these higher levels have persisted so far in 1954. Improved profits were shown by all manufacturing departments; on the other hand, severe and increasing competition was experienced by our smelting and refining department, which nevertheless was able to achieve satisfactory results.

The profits of the Liverpool paint business were a record and followed a substantial increase in turnover generally: a remarkable development took place in the retail marketing of the range of "Valspar" products, among which Valspar 2-4 hour lacquer is proving particularly popular—and deservedly so. Measures are being taken to increase plant capacity and storage accommodation at the works at Speke.

OVERSEAS LEAD COMPANIES

The volume of busines done by our Calcutta companies showed only a slight change upwards from 1952, but in the absence of market losses the profits were considerably higher. Associated Lead Manufacturers (Pty.) Limited, Durban, had a favourable year and the results must give great satisfaction to the local executives responsible for them.

DEVELOPMENT

I am glad to report continued and satisfactory development in our Zircon and Special Chemical Divisions. The former is establishing itself nicely and has made good progress during the year. The latter department serves mainly the plastics industry as a supplier of stabilisers and our close technical co-operation with this industry is having beneficial results. Our research laboratory at Perivale, which serves the lead side of the business, has again had a useful year and has been particularly successful in dealing with problems arising in the factories. Our paint laboratory at Kirkby has played its part in producing the satisfactory trading results of Goodlass Wall and Company, Limited, Liverpool.

TRADE INVESTMENTS

Our holding in British Titan Products Company Limited is the most important of our trade investments. The company has had a most successful year and is planning a further increase in plant capacity. British Australian Lead Manufacturers Pty. Limited, which occupies a leading position in the Australian paint trade, is sharing in the improved trading conditions there and the results for the year to June, 1954, are expected to be excellent. Satisfactory dividends have been received from the Minnesota Mining and Manufacturing Company Limited, in which we have a small holding, and from Basinghall Mining Syndicate Limited, the proprietors of the Greenside Lead Mine. The new factory at Port Elizabeth of our associated company, Enthoven Fry Limited, is already operating at a profit and it is hoped that this company will make a steady contribution to our profits in future years.

RAW MATERIAL SUPPLIES

Except in one or two directions, no serious difficulty has been experienced in obtaining adequate supplies of raw materials. Although the London Metal Exchange reopened in October, 1952, it is not yet possible, for various reasons, for a manufacturer to carry out hedging operations with the same facility and economy as in prewar days. In the case of lead, our main metal, a substantial "backwardation" has existed throughout the year and this has been accentuated by the existence of a premium for spot lead over the current month's price. The disparity at times has been relatively substantial and the difficulty of conducting one's business under such conditions can be readily understood. As important smelters we cannot refuse to buy when supplies are available, and it is not unnatural that sellers should choose a time favourable to them to liquidate stocks. Materials take time to smelt and refine and until they are in saleable form, and can in fact be sold, have to be held at market risk. To minimise this risk, the lead content could be sold forward on the London Metal Exchange, but as the price of purchase of secondaries is normally based upon the current price of lead, "hedging" or selling forward in this way is impracticable except at a heavy loss owing to the much lower price of forward lead.

FINANCIAL POLICY

The cash position has improved by £1,737,600 during the period. A deliberate policy of stock reduction has been pursued and accounts for just over £1 million, the balance representing the surplus of our profits before depreciation, over the amounts disbursed in taxation, dividends, and capital expenditure. There are several reasons why your board thinks it desirable to retain such considerable balances. In the first place, the possibility cannot be overlooked that prices may again rise as they did not so long ago, involving a large additional lock up in stocks, and secondly, apart from the ability freely to incur capital expenditure on our plant when required, an opportunity may occur to increase our investment in British Titan Products Company Limited. This company, which is engaged in the manufacture of titanium dioxide, and not titanium metal as is sometimes thought, is, as already stated, embarking upon a scheme of expansion involving substantial expenditure of capital and a call for finance may be made upon us. In this event we should respond, as we look for an increasing income from this source in future. Titanium dioxide has taken a leading place among modern pigments and our interest in the industry compensates us for the fact that expansion in the consumption of white lead, the oldest white pigment and one which for many purposes still retains a unique value, is hardly to be looked for.

Your directors are of the opinion that the strength of the company, the adequacy of its reserves, and the satisfactory results for the year justify an increase in dividend distribution and are recommending a final dividend of 12½ per cent, less tax, on the ordinary stock, making a total for the year of 16 per cent, less tax. For the previous year a dividend of 12 per cent., less tax, was paid.

It is also recommended that a transfer of £500,000 be made to general reserve and that the sum of £495,866 be carried forward to 1954.

The steady increase in the capital employed by the company since the date of the last issue of capital in September, 1951, justifies your board in thinking that a further capitalisation of reserves should be carried out, and application has been made to the Capital Issues Committee for permission to capitalise reserves to the extent necessary to allot to our ordinary stockholders one fully paid share of 10s. for every two stock units held, bringing the issued ordinary capital up to £3,614,033. If permission is granted the necessary meeting of the stockholders will be convened.

PROSPECTS

We are reasonably busy in all sections of our business, but in some departments the terms of trade have become increasingly competitive. Under these conditions, while I hesitate to forecast with any precision the result of our operations in 1954, I find reassurance, given a continuance of active trade, in the wide diversity of our products backed by the substantial resources at our command.

The report and accounts were adopted.

BOOTS PURE DRUG COMPANY

CREDITABLE INCREASE IN PROFIT

MR J. P. SAVAGE'S STATEMENT

The sixty-sixth annual general meeting of Boots Pure Drug Company was held at Nottingham on July 14th. Mr J. P. Savage, the chairman, presided. The following is an extract from his circulated statement:

My first reference must be to the retirement of Lord Trent, who was our chairman for nearly thirty years.

What a remarkable contribution he has made to the progress of our Company. During the period he controlled and directed the policies of our organisation, the number of customers served has been quadrupled, the number of prescriptions dispensed has grown from 3 million to 35 million per annum and the profit has increased from £731,787 to £3,295,410. In addition the amount paid out in dividends to ordinary shareholders has risen from £244,799 to £1,152,000. During the same period, the staff has increased from 15,000 to 36,000, while the wage bill has gone up from £2,200,000 to £12,900,000. Against this, of course, must be set the rise in the cost of living, but I am satisfied that the wage increases we have been able to make have taken care of that, and the staff have participated in the prosperity of the Company. Finally, he retired at the end of a financial year which has broken all records for sales, customers served and trading profits. In recognition of his inspiring leadership and to retain the link with a great family, we have endowed two chairs at the University of Nottingham in pharmaceutical chemistry and in chemical engineering.

TRIBUTE TO LORD AND LADY TRENT

These chairs will serve not only as an enduring tribute to Lord and Lady Trent, whose names they will bear, but they will also be of great and permanent benefit to the company. A business such as ours must have properly trained and qualified people whether they are pharmacists in the shops or technicians in the factories. There is in particular a great shortage of chemical engineers. By endowing these two chairs we are ensuring that we have on our doorstep here in Nottingham a supply of the right kind of people who have had the right kind of training. We are also stimulating research in two fields of vital importance to the company.

I should like to thank Lord Trent for all he has done and I hope he will enjoy improved health and much happiness in his retirement.

Mr Leonard Anderson has also retired, and I am glad to have this opportunity of acknowledging his great work in the development of our fine chemicals and antibiotics production. Due largely to his efforts, we can now boast we have one of the most efficient plants in the country. Mr S. Harker-Smith has joined the board. He has been with the Company thirty-three years and became general sales manager in 1945.

PROFITS AND DIVIDENDS

Our profit at £3,295,410 shows a very creditable increase of £354,066 over last year's figure. This reflects not only our higher turnover, but increased efficiency in our operations. After making provision for tax, and allowing for the endowment of the two chairs at Nottingham University, the net profit of the group is £1,413,584 compared with £1,353,775 last year. Profits retained by the subsidiary companies amount to £273,767 this year against £380,769 last year, leaving the net profit of Boots Pure Drug Company Limited at £1,074,082 compared with £911,455. The amount brought forward from last year is £321,478 and this added to the net profit of Boots Pure Drug Company Limited gives a total of £1,395,560. Your directors propose that the final dividend should be increased from 10 per cent to 12½ per cent, making 22½ per cent for the year against 20 per cent last year. This is the first time the ordinary dividend has been increased since 1947, and the moderate increase we now propose is fully justified. Your directors also recommend appropriating an additional £100,000 for the provision of pensions. This is over and above the normal appropriation which this year amounts to £77,432 and is earnest of our intention to ensure that the staff are properly provided for in retirement. After allocating £80,000 to general reserve, £120,000 to freehold property reserve and providing for the dividends paid and proposed, the amount remaining to be carried forward to next year is £331,315 against £321,478 last year.

CAPITAL EXPENDITURE

We have embarked on the extension of our warehouses and the improvement in research facilities to which Lord Trent referred in his report last year, and we are pressing ahead with the improvement and modernisation of our shops. We are now able to meet our capital expenditure on the present level out of the funds currently available in the business.

STOCK INVESTMENT

During the year our stocks have again shown a decrease, though obviously after the big reduction of the previous year, this is relatively small. This, combined with a substantial increase in our volume of sales, has resulted in an all-time record rate of stock turnover in our retail shops, warehouses and factories, and this has played a part not only in increasing profits, but also in strengthening our cash resources.

NATIONAL HEALTH SERVICE

During the past year the Ministry of Health have made great efforts to reduce the cost of the National Health Service. Their efforts have been reflected in a significant fall in the value of each prescription dispensed and in part also in a fall in the number of prescriptions. I am quite satisfied, however, that the point has now been reached where the doctor is prescribing only what is proper and necessary for the treatment of the patient, and that the cost of the Service has been reduced to the lowest possible level consistent with the welfare of the patient and the efficiency of the Service. The Ministry are reasonably entitled to ask that where a standard preparation is just as effective as an alternative remedy and a great deal cheaper, the standard preparation should be used. But they would surely be very unwise to discourage the use of new but effective remedies merely because they happen to be expensive as is so often the case because of the heavy charges for research they have to carry. For this and other reasons a new preparation, which represents a considerable advance in medical science, may be expensive when it is first put on the market. It is at the same time true that all pharmaceutical manufacturers make every attempt to reduce prices as sales increase. One of the most widely used of the newer preparations is penicillin and the price to the National Health Service has dropped from 4/4 to 1/9 per mega unit during the last five years. It would be a pity if beneficial developments of this kind were retarded by any clamour for false economy. I am glad to observe, however, that the Minister of Health himself, during a recent Parliamentary Debate, showed that he was well aware of this danger. Nor is it true, and I speak here not only for my own company but for the pharmaceutical industry as a whole, that undue profits are being made by the manufacturers. As we have pointed out in our annual review, the overall rate of profit on our sales is only 6 per cent. In many instances we make the basic ingredients, compound the preparation and sell it in our shops, and a rate of profit of 6 per cent covering all these operations is an extremely modest one. The drug trade, moreover, is highly competitive, itself a guarantee of efficiency and fair prices.

WHOLESALE SALES

Our total wholesale business has shown a gratifying increase of 10.90 per cent. It must be remembered that our wholesale business is carrying its full share of our general overhead expenses and so is of benefit to all sections of the business.

It is perhaps not always realised what an important part in the company's growth and profits is played by the home wholesale department. For many years this business has been increasing, and in this year has broken all records.

Unfortunately our export business, like that of the pharmaceutical industry as a whole and doubtless for much the same reasons, shows a decline in sales. It has been a difficult year for our overseas subsidiaries and we have found it necessary to make provision for substantial losses. A large proportion of our export business has always been concentrated in India and the Far East. Trading conditions there have been much disturbed, and we have experienced a sharp recession in sales.

STAFF

Our staff have worked with enthusiasm and competence and their relationship with the management has continued to be excellent. Nothing can discourage Communism more effectively than to foster good relationships between management and staff, and where this is encouraged the results are shown in the prosperity of the Company and the happiness of the staff.

FUTURE PROSPECTS

The results have been largely influenced by the increased efficiency of our production plants. We are now reaping the benefit of the capital expenditure programme upon which we embarked at the end of the war, and I am quite certain this improvement in efficiency will continue throughout the coming year. On the other hand, retail distribution is becoming more difficult, because of rising costs. It is our policy that retail prices shall be kept down to the lowest economical level, but increases imposed in the cost of coal, gas, rates, electricity and transport will have the effect of making it harder to maintain the net profit except by concentrating on increased sales. During the year our retail sales have shown a steady rate of increase and we are determined that this progress shall continue.

THE SUNGEI KRIAN RUBBER ESTATE LIMITED

SIR JOHN D. BARLOW'S STATEMENT

THE FORTY-FIFTH ANNUAL GENERAL MEETING of the company will be held at Plantation House, Mincing Lane, London, E.C.3, on July 28, 1954.

The following is an extract from the circulated remarks of the CHAIRMAN, Sir John D. Barlow, Bart., M.P.

U.S. Synthetic Rubber Policy

The fluctuations in the price of rubber are well known. Since the war the price has been as low as 8d. per lb. in 1947 and as high as 73d. per lb. in 1951; today the price is approximately 21d. per lb. The present price leaves small margin for profit, after providing for replanting and amortisation of buildings and machinery.

The present depressed price of rubber is largely due to the U.S. Government's synthetic rubber policy. The U.S. Government has for the last 12 years been producing synthetic rubber and selling it to American manufacturers at a price which has been admitted to be a non-commercial price, not only by leading congressmen and high government officials, but also by the American rubber manufacturers themselves. It is only within the last year that the U.S. Government has revoked the directive compelling the U.S. rubber manufacturers to use a large proportion of government synthetic rubber.

Recently a number of U.S. commercial firms, including some manufacturing companies, have submitted bids for synthetic plants to the committee set up by the U.S. Government. It is to be hoped that in 1955 the Government synthetic facilities will be handed over to private manufacturers at fair prices. All we ask is to be allowed to compete with the synthetic product on equal terms.

Comparison of Commodity Prices in U.S.A.

The table set out below shows the effect of the U.S. Government's synthetic rubber policy by a comparison of the price of rubber with the prices of various other commodities in January to September, 1939, and January to March, 1954. The figures are taken from the Survey of the Guaranty Trust Company of New York.

It is interesting to note the percentage increases in price of the following commodities between 1939 and 1954:

Coffee	by 1,013%	Wheat	by 217%	Pig Iron	by 172%	Zinc	by 118%
Hogs	„ 275%	Rice	„ 182%	Wool	„ 144%	Sugar	„ 116%
Cotton	„ 268%	Copper	„ 180%	Tea	„ 141%	Petrol	„ 100%
Rosin	„ 256%	Lead	„ 175%	Cattle	„ 135%	Tin	„ 92%

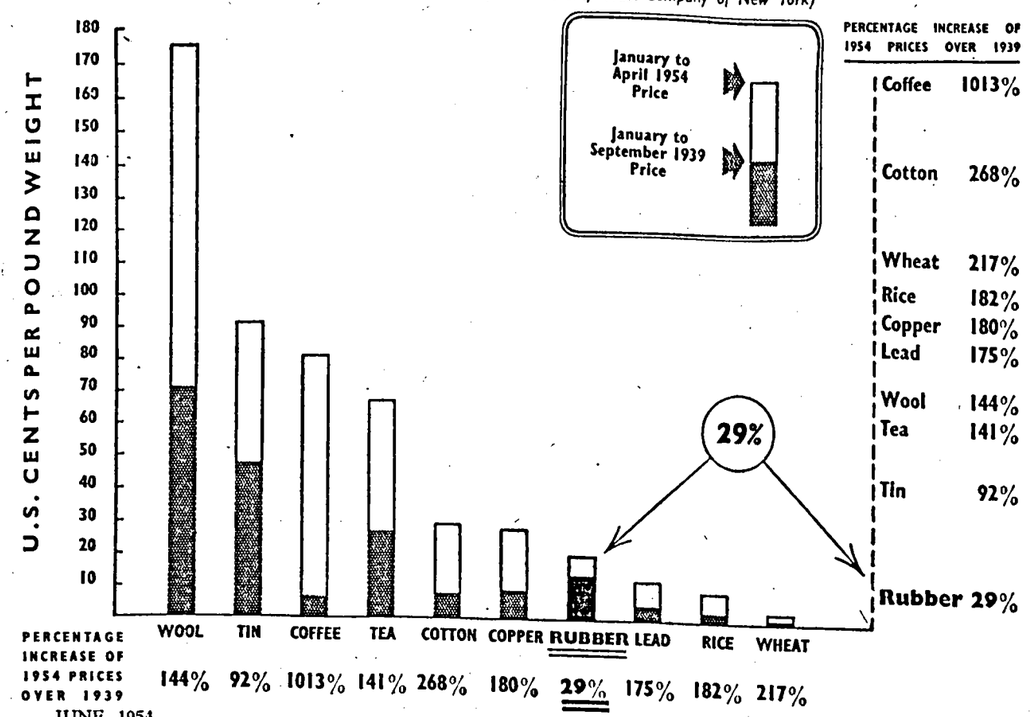
In contrast to these rises rubber has only increased by 29 per cent.

If the U.S. Government had not subsidised the production of synthetic rubber but had allowed the commodity to find its own price level, it seems clear that the price of natural and synthetic rubber would be higher today, because natural rubber is considerably undervalued in relation to the prices of leading commodities in 1954 compared with 1939. This point can be clearly seen from the table which illustrates the comparatively insignificant increase in the price of rubber.

For a commodity which makes such an important contribution to the sterling area's balance of payments position, it is indeed unfortunate that the price of rubber today has not risen to anything like the same extent as other commodity prices during the last 15 years.

COMPARISON OF WHOLESALE COMMODITY PRICES IN U.S.A. in 1939 and 1954

(Based on Wholesale Price Table of the Guaranty Trust Company of New York)



JUNE, 1954.

THOMAS BARLOW AND BRO.
PLANTATION HOUSE LONDON, E.C.3.

GILL AND DUFFUS LIMITED

SATISFACTORY RESULTS IN A DIFFICULT YEAR

ALL BRANCHES DO WELL

MR J. I. MURRAY ON THE PROSPECTS

The seventh annual general meeting of Gill and Duffus Limited, was held on July 8th at 23, St. Dunstan's Hill, London, E.C., Mr J. I. Murray, the chairman, presiding.

The following is the chairman's statement circulated with the report and accounts for the year to December 31, 1953:

Before dealing with the figures for the past year there are two matters which I should like to mention. Firstly you will have seen from the directors' report that for reasons of health Mr Bennink has, to our great regret, decided not to seek re-election as a director. Mr Bennink in his capacity as a Director of British Cocoa Mills (Hull), Limited, and more recently as a director on our board, has been closely associated with our company for many years and we shall miss him as a friend and as a wise and esteemed colleague. Mr Bennink has spent a lifetime in business and his wide experience was greatly appreciated. Our best wishes go to him for a speedy recovery in health so that he may enjoy the leisure which he has earned so well.

EARNING POWER NOT LINKED WITH COCOA PRICE

Secondly, recent references to the company in the Press appear to link the earning power of the ordinary capital and therefore the value of the ordinary stock, with the price of raw cocoa. Since we are not producers of raw cocoa, nor speculators, and do not carry stocks or make forward purchases except to match our contracted sales, it is merely fanciful to link the earning power of our ordinary stock or its market value with the price of one of the commodities in which we deal. I stress this so that there should be no chance of stockholders or the investing public being misled.

The past year has not been an easy one, but you will, I think, agree that the problems which have had to be faced as a result of the exceptional trading conditions have been met and that the results achieved are satisfactory. In my statement last year, I stressed the necessity for building up the strength of the company. While we are by no means complacent, it is, I feel, a matter for satisfaction that in the course of a year we should have progressed as far in this direction as we have done.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

In order to measure the progress, it might be useful to examine in some detail the changes which have taken place in the company's profit and loss account and the balance sheet. In doing so I shall, as was the case last year, refer only to the consolidated figures.

The group profit before taxation for the year was £906,415 as compared with £730,605 in 1952—an increase of £175,810. This was arrived at after making specific provisions of £177,452 against debts due by customers in Brazil and Turkey. It was felt prudent to make these provisions in view of the shortage of sterling at present prevailing in both countries and of the fact that no one can tell when and at what rate payment may be received.

After these provisions and in spite of the very heavy burden of taxation, United Kingdom, Dominion and foreign which we have had to bear, the net profit attributable to members was £427,318. Adding to this the balances brought forward by the group at the end of 1952, there is available £704,537, of which £238,917 has been retained by subsidiary companies. Out of the balance we have transferred £150,000 to forward contracts and stock replacement reserve, £150,000 to general reserve, and, after meeting the preference dividend and paying a final dividend on the ordinary stock of 25 per cent which, with the interim of 15 per cent, makes a total distribution of 40 per cent for the year, requiring £110,000, there remains to be carried forward by Gill and Duffus Limited, a balance of £52,320, to which must be added the amount retained by the subsidiary companies, giving a group balance to be carried forward to next year of £291,237.

The effect of these allocations is revealed in the balance sheet. Against an issued capital of £600,000, the capital and surplus now amounts to £1,731,101—an increase of £315,077 on the year. Our commitments are, however, still heavy. Stock-in-trade is higher in value at £2,647,482, but this is not surprising when it is related to turnover which last year amounted to approximately £24 million and, although certain subsidiaries had £409,870 of cash, the parent company and the other subsidiary companies had overdrafts of £804,271. Nevertheless, current assets show at the close of the year a surplus over current liabilities of £1,894,487—an increase of £364,762. From these few figures it will be apparent that, although the position which we have set out to build up is by no means yet complete, it is beginning to take shape.

PROGRESS AT HOME AND ABROAD

All branches of the business at home and abroad did well. The produce department met successfully increased competition resulting from the freeing of imports; the Cocoa Mills at Hull worked to capacity throughout the year; the Canadian company again expanded its business and the development of the American company continued slowly, as we anticipated it would, but surely. West African Mills, Limited, worked successfully under difficulties, but since the close of the year the cocoa departments of the mills at Takoradi have, I regret, been closed and placed on a care and maintenance basis. These mills have only one source of supply for their raw material, the Gold Coast Cocoa Marketing Company, Limited, and since the forward price for cocoa products has been for some months considerably lower than the spot price, there was no basis on which these mills could work at a profit, at any rate having regard to the very small concessions which the West African Government felt they could make to keep them in operation. The saw mill, which was originally established for making boxes for packing cocoa butter, is still operating and it is hoped that the profit from its operations will meet some of the maintenance charges on the cocoa mills at Takoradi. There would, however, appear to be little chance of West African Mills, Limited, reopening their cocoa departments until there is a change of policy on the part of the Gold Coast Government.

Southern Cocoa Mills Limited at Reading was, as I mentioned in my 1951 statement, a unit formed to manufacture cocoa butter during the emergency of the last war. With the complete acquisition of the mills at Hull which are much more modern, there could be no object in retaining the Reading mill and the company has now been placed in liquidation. This will result in a substantial surplus over and above the price at which the shares of Southern Cocoa Mills Limited stand in our books. While we should have liked to have distributed this surplus in the form of a tax-free dividend, we felt it unwise at the present time to let the cash go out of the business, so instead we have decided, subject to the passing of the necessary resolutions, to capitalise the greater part of the surplus in the form of £100,000 6 per cent cumulative preference shares of £1 each, which will be issued free as soon as possible to ordinary stockholders in the ratio of one preference share of £1 for every 20 stock units of 5s. each held.

CURRENT YEAR'S PROSPECTS

To assess the result for the year to December 31, 1954, is, of course, a difficult task, even though we have half a year's trading behind us. In present conditions, six months is a long time in which anything can happen. Subject, however, to some major change in the situation, not at present foreseen, I anticipate satisfactory results for the year 1954. It is a fact, however, that the present price for cocoa poses enormous problems for our industry as a whole and there are sound reasons for suspecting that 1955 will be, from the financial angle, the most critical year in the whole history of cocoa. Should this be so, it will happily not find us unprepared.

In conclusion, I would like to thank the staff, both at home and abroad, for their loyalty, co-operation and successful work during a difficult year. The results achieved are a genuine tribute to their efficiency.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting the chairman said: It has been suggested that, for the benefit of stockholders, I might amplify the second paragraph of my statement embodied in the annual report and accounts.

As the press has pointed out, cocoa is, of course, only part of our business, but of 1953 it is true to say that the company's prosperity was not affected either favourably or unfavourably by the increase in the price of cocoa which, after all, only took place towards the end of that year.

To what, then, do we attribute the higher profits earned in 1953? The simple answer is that the higher profits were due to the larger turnover which, in turn, was due to the general buoyancy of the confectionery and allied trades throughout the year both at home and abroad.

It has already been explained that, since virtually all the stocks held are sold against contracts, it is most unlikely that we shall ever be in a position to make stock profits in the accepted sense, and therefore it is misleading to link the earning power and the market value of the ordinary stock with the price of one or any of the commodities in which we deal. High prices such as today exist for cocoa are a hindrance rather than a help, in that they tend to limit the trading and merchanting side of the business, because of the extra working capital required and because the greater risks involved render such busi-

ness at times unattractive. Furthermore, it will, I hope also be accepted that in the long run no commodity price level can be beneficial to us unless it is equally so to our customers, whose products, unlike ours, are sold to the public.

While, as I have pointed out before, we do not speculate in cocoa or, indeed, in any other commodity, there must be, in a business such as this, a much greater element of risk than there is in the ordinary type of manufacturing business and fluctuating fortunes must be anticipated. If, therefore, we are to achieve something in the nature of stability, it can only be done by building up very adequate reserves. In this respect 1953 favoured us well.

Finally, since my statement was issued, authoritative references have been made to the desirability, and even necessity, of seeking satisfactory substitutes for cocoabutter if present price levels should persist. Stockholders may like to know that this question has received exhaustive study by our group. We are now, in fact, producing substantial quantities of a high grade fat which offers, in our opinion, the only alternative to cocoa-butter which can be used in chocolate manufacture without seriously prejudicing the quality standard. Naturally, the production of an alternative fat has brought problems with it, but we hope this new development will play a useful part in the economy of our group during present conditions. We have been pleased to find useful outlets overseas for this new production, particularly in dollar markets.

The report and accounts were unanimously adopted.

LONDON & OVERSEAS FREIGHTERS, LIMITED

SATISFACTORY YEAR'S TRADING

INTEGRAL PART OF EXPANDING INTERNATIONAL TRADE

HIGH COST OF BUILDING

BRITISH SHIPOWNERS AT A DISADVANTAGE

MR BASIL M. MAVROLEON ON BOARD'S POLICY

The sixth annual general meeting of London & Overseas Freighters, Limited, was held on July 12th at the Baltic Exchange, St. Mary Axe, London, E.C.

Mr Basil M. Mavroleon (chairman and managing director) presided.

The following is his circulated statement:

During the year under review the company's fleet of modern tankers continued to operate efficiently and, as is to be expected where new ships are concerned, with a minimum loss of earning time.

EARNINGS

The operating surplus for the year is a quarter of a million pounds higher at £1,196,449, which, except for some £50,000 earned by the two dry-cargo ships, arose from the trading of eight tankers throughout the year and a ninth, the *London Loyalty*, as from January, 1954.

Having regard to the fact that employment has been secured for your company's ships for some time to come, it is not a matter of great difficulty to forecast the operating surpluses likely to arise in the next year or two, subject, of course, to any losses which may result from unforeseeable marine accidents, and I confidently expect a further rise in profits during the current year.

Our ships are engaged in the carriage of one of the world's most valuable and indispensable raw materials and form an integral part of an expanding international industry. We shall have our ups and downs—as you know the tanker freight market is as low now as ever it has been since the war—but in the long run the prospects are excellent.

TAXATION

No income tax is payable in respect of the profits of the period under review, but approximately £1,075,000 would have been payable to date had it not been for the incidence of initial allowances in respect of expenditure on building new ships. The sum of £275,000 has, therefore, been added to the £800,000 already standing to the credit of taxation equalisation reserve.

The investment allowance recently introduced by the Chancellor of the Exchequer goes only part of the way to assist the shipping industry in meeting the problem of replacement costs and one can only hope that this small gesture will not lose its significance hereafter.

DIVIDEND

The board, adhering to the dividend policy declared at the time the company secured a Stock Exchange Quotation, recommends the payment of a dividend of 5 per cent (less tax) for the year ended March 31, 1954. Doubtless you will be wondering whether or not I am now going to tell you what the dividend policy of the board is to be in future years. I cannot, of course, make any promises, and the board does not feel able to commit itself to any minimum or maximum figure in the future. Our capital commitments will continue to be financed out of earnings and the position will be reviewed at the close of each financial year.

Nevertheless, I think you will be encouraged to know that neither my colleagues nor I share the all-too-prevalent view that shareholders are an undeserving lot of slave-driving moneygrabbers. In this, as in all other matters, it is necessary to maintain a sense of proportion if the wellbeing of all concerned is to be ensured and there is a good deal of nonsense talked and written on the subject of profits and wages, mostly by well-meaning theorists who have little or no practical experience of business. Shareholders and wage-earners must walk hand-in-hand—they have the same interests basically. Wage-earners are very important people, but so are shareholders who save up their money to invest in industry. Without such investment there would be no wages to earn, so let us do all we can to correct the misconception that shareholders are ogres to be penalised or destroyed.

Surely there is nothing praiseworthy in making losses. I would consider it a crime to the people who work for us if we made losses as the disappearance of their livelihood would be the inevitable outcome.

The heavy burden of taxation today precludes the possibility of amassing vast profits, whether for re-investment in the business or for distribution to shareholders, but enterprisers must be encouraged to prosper for the direct benefit of workers and shareholders and indirectly for the good of the country. It is our aim to operate the fleet to provide first-class working conditions and pay for our employees and, consistent with maintaining the financial stability of the company, to reward you—the shareholders and proprietors—for investing your money in the undertaking.

FLEET

The two remaining dry-cargo ships, the *London Artisan* and *London Banker*, were sold during the year. The realised surplus aggregating £283,485 has been added to capital reserve and a further sum of £104,124, representing provisions for depreciation and special surveys no longer required, has been credited to profit and loss account.

Thus, the entire fleet at March 31, 1954, was composed of motor tankers of which the average age per deadweight ton was less than two years. I do not know of any other concern of comparable size which owns such an up-to-date fleet.

The *London Loyalty*, sister ship of the *London Victory*, was completed and went into service at the beginning of 1954. The fleet has been further augmented since the close of the financial year by the *London Prestige*, sister ship of the *London Splendour*, and now comprises ten ships with a total carrying capacity in excess of 180,000 tons.

I would like to say at this point that it is still your board's intention to operate a fleet comprising both dry-cargo tramp ships and tankers, but any idea of ordering new dry-cargo tonnage cannot be entertained until building prices come down or freights rise to a level which would make its exploitation a worthwhile proposition.

BUILDING PROGRAMME

You will recall that I made available in my review a year ago some very startling facts and figures concerning the rising cost of ships in this country and its effect on your company, the ship-building industry generally and the nation's position in the maritime world. Far from improving, the situation has gone from bad to worse, until today it would be optimistic indeed to forecast a bright future for the British ship-building industry. I am, however, an optimist and I feel sure that eventually common sense will prevail; that workers and employers will co-operate to their mutual long-term benefit, and that ship building will thrive on a competitive basis for many years to come. The sooner shipbuilders are in a position to quote fixed prices the better for all concerned. Perhaps some figures may be helpful in underlining the difficulties facing the shipowner.

The *London Loyalty* was ordered at the end of 1950 and it was estimated then that the final cost of the vessel would be £775,000.

You will see from the accounts that this ship actually cost £1,027,642, an increase of more than a quarter of a million pounds, or 32.6 per cent. An order placed today for a similar ship would be based on an estimated final cost of about £1,100,000. This figure is subject, of course, to any increases in the cost of labour and material which may come into effect before the ship is completed. Nevertheless, some Continental yards are prepared to build a similar ship for a fixed price of £900,000. Thus, it is possible to build five ships on the Continent for the price of four in the United Kingdom. Consider the effect upon the shipowning community. Not only does a shipowner who is in a position to build on the Continent obtain an extra ship to exploit in competition with the owner building in Britain, but the depreciation charges to be recovered annually from earnings are correspondingly less. Owners of British-built ships find themselves, therefore, at a disadvantage for the life of the ships by reason of the high cost of building.

It is difficult to see where all this is leading to. The position, so far as your company is concerned, is that there are on order or in course of construction six tankers, totalling 141,850 dw tons, due for delivery at intervals during the next four years and, although the contract prices of these vessels aggregated £5,715,000, it is now reckoned that they will cost about £7,550,000.

The ever-increasing cost of ships means that your board is faced with a two-fold problem. Firstly, it is necessary to ensure that the money is available to pay for the ships as they are completed. Secondly—or rather alternatively—it is necessary to decide whether or not it is prudent to seek cancellation of one or more building contracts, having regard to the facts outlined above. So far your board has not cancelled a single order, but the company's commitments are always under review. We have thought it necessary to arrange for the postponement for 3½ years of the building of one of the company's turbine tankers, which was to have been completed in October this year. Up-to-date estimates are being obtained, in the light of the recent wage increases, of the probable cost of the vessels still to be built, and when these are to hand the course of action will be decided upon.

MR H. W. MERCKEL

I am pleased to record that Mr H. W. Merckel has become a director of your company at the invitation of the board.

PERSONNEL

There are now over 500 employees on the company's pay-roll and I am pleased to acknowledge another year of efficient co-operation and service which has contributed in no small measure to the satisfactory trading results. We have, in common with all businesses, experienced isolated cases of disinterest and inefficiency, but our efforts are directed towards securing and retaining the services of the best men available. In all modesty it gives me the greatest possible pleasure to be able to inform you that reports are constantly reaching our London offices which indicate that the first-class terms of employment and the unrivalled standard of accommodation provided by your company have become bywords across the world and that the "London" ships are admired wherever they sail.

The report and accounts were adopted.

SWEARS AND WELLS, LIMITED

A RECORD YEAR

The twenty-seventh annual general meeting of Swears and Wells, Limited, was held on July 8th in London, Mr Cyril J. Ross, OBE, chairman and joint managing director, presiding.

The following is an extract from his circulated statement:

A year ago I looked forward to a maintenance of the good trading results then recorded, and it is gratifying that my optimism has been fully justified by the results of the year under review. The increased turnover and profit recorded is due to the application of progressive ideas and to the sound foundation upon which the business is based.

The consolidated profit and loss account shows a profit of £534,400 and compares with last year's figure of £421,034. The directors recommend an ordinary dividend of 12½ per cent for the year and a bonus issue to ordinary and "A" ordinary stockholders of one new 5s. "B" ordinary share for each £1 of ordinary stock held. Given a maintenance of the profit result shown for the past year, and having regard to the abolition of the excess profits levy, the directors have every confidence in their ability to maintain the same rate of dividend on the increased issued capital.

Swears and Wells continues to hold its leading position in retail fur trading in this country. In the absence of anything untoward occurring nationally or internationally, I feel confident that your company will continue to show improving trading results.

The report was adopted and the board's capital proposals were approved.

RANGALLA CONSOLIDATED

The thirty-first annual general meeting of Rangalla Consolidated Limited was held in London on July 12th, Mr Eric Davenport, ACA (chairman), presiding.

In his circulated statement for 1953 the chairman records:

The results for the year show a net profit of £30,831, which has to be compared with a loss of £1,746 last year. In view of the loss sustained in the previous year, the amount required to be set aside to meet taxation liabilities is somewhat smaller than might be expected at £10,500. The transfer of £7,000 to general reserve will restore the cash capital lost in trading and expended on fixed assets during 1952.

The year's results in our opinion justified the payment of an interim dividend of 20 per cent, less tax, paid on May 26, 1954. It is not proposed to recommend any further dividend on account of 1953.

Crop for the year at 1,442,687 lb was a record and this, coupled with an increase of 3.15d. per lb in the net average secured, and a drop of 2.45d. per lb in costs, has enabled the very satisfactory results to be achieved.

The estimated crop for 1954 has been placed at 1,475,000 lb at a cost of production of approximately Rs.1.50 per lb. This estimate is a little higher than the 1,442,687 lb obtained in 1953. Whether the estimate will be reached is at the moment somewhat problematical. Crop for the first five months to the end of May is 53,377 lb down when compared with 1953, but given reasonable weather conditions the crop position should improve. So far, net average prices have been well maintained. The report was adopted.

E. K. COLE

TURNOVER INCREASE CONSTITUTES NEW RECORD

The annual general meeting of E. K. Cole, Limited, was held on July 15th at the Queen's Hotel, Westcliff-on-Sea.

Mr E. K. Cole (chairman and managing director), in the course of his speech, said:

We have had another very good year. The consolidated figures show that the trading profit amounts to £686,677 and the net profit, after providing for all expenses, including depreciation, but before deducting taxation, is £588,832, an increase of £54,030.

The taxation liability, including Schedule D liability for 1954-55, has been provided for by the transfer of £407,500 to taxation reserve, leaving a net profit of £181,332.

I am pleased to be able to report that the turnover achieved a new high record. The net liquid assets amount to £1,964,076.

We consider it desirable to increase the authorised capital by the creation of a further 2,200,000 ordinary shares of 5s. each. As soon as the necessary consent of the Capital Issues Committee is obtained, your directors propose to offer a substantial proportion of the present unissued ordinary capital for cash on favourable terms to the ordinary stockholders.

DIVISIONAL ACTIVITIES

Radio: The industry experienced good trading conditions during the year and we were able to maintain our normal share of the market. The public demand for our television and radio increased. During the year our factories were able to produce sufficient quantities of our products to create a further record in turnover for the division. Even so, we were not in a position to supply all the demands made on us during the peak season period.

Once again the industry continued to suffer from the uncertainty arising out of the imposition of purchase tax. Until some solution of the problem is found and adopted there is bound to be uncertainty in the minds of our dealers and the public which is detrimental to the smooth running of the industry and could reflect seriously on its employment capacity.

The Bill providing for a second television programme has now passed through the House of Commons, and the Assistant Postmaster-General has stated that everything will be done to expedite the setting up of the necessary stations in order that programmes can commence during 1955. Your company is ready with outstanding models and designs to meet this new situation.

Electronics: The production and sales for Government services and commercial use continued to expand, and an important volume of export business was achieved.

We also continued to supply Government Departments in respect of direct contracts with nucleonic, radar and communications equipment.

Plastics: Trading conditions in the plastics industry continued to improve and the division was able to take full advantage of the opportunities presented.

Due to restrictions by overseas Governments, together with increased competition from foreign manufacturers, it was not possible to obtain the record turnover achieved during the previous year. However, we were able to maintain a substantial figure.

The report was adopted.

A resolution sanctioning an increase of the authorised capital was also passed.

SHEFFIELD TWIST DRILL AND STEEL

DEMAND IMPROVING

MR ALEXANDER DORMER'S STATEMENT

The seventh annual general meeting of The Sheffield Twist Drill and Steel Company, Limited, was held on July 15th at Sheffield, Mr Alexander Dormer, chairman and managing director, presiding.

The secretary, Mr Lionel Barber, FCA, read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year to December 31, 1953:

As I forecast last year, the heavy stocking of engineers' cutting tools by both manufacturers and merchants led to a reduction in the demand for your company's products during 1953. During the past twelve months the price of tungsten has fallen appreciably, which has correspondingly caused a sharp depreciation in the value of our steel stocks and has also enabled us to reduce the price of our products. All these factors have resulted in a reduction of profit for the year, which at £489,623 compares with £768,073 for the previous year. It should be mentioned that the net profit for 1953 compares favourably with that of years where the turnover was similar.

DELIVERIES EXPEDITED

Deliveries of your company's products are now ex stock, and every endeavour has been made by the company to despatch all standard tools to customers the same day as the orders are received. The company's branch offices in London, Manchester and Glasgow are achieving this aim. Further to this, our Technical Advisory Service to customers has increased its scope with gratifying results.

Orders for our traditional products dropped off during the first part of the year, but such is the flexibility of your company that we were able to obtain and undertake sub-contract work from our friends in the engineering trade. This enabled us to keep all our employees fully occupied, and here I should like to pay tribute, firstly to our office staff who have undertaken in a true spirit of teamwork a great deal more detail work without addition to their number, and secondly, to our workpeople who have shown their versatility by producing the short runs of special tools just as efficiently as the long runs of standard tools.

READY TO MEET ALL CHALLENGES

In the new competitive age we are ready to meet all challenges and your company's aim will be to continue to produce the articles quoted for by the promised delivery date.

Export sales continue to be difficult as most countries are concentrating on producing their own consumer goods, and excluding those of other countries by means of tariffs or import quotas. More help could be given us by the Government in insisting that your company's products are included in bi-lateral trade negotiations. In the meanwhile, we continue to export to the enlightened countries whose engineers and governments realise that a quality tool can be a true labour saver.

Your company has decided to increase the range of engineer's small tools, and has purchased a milling cutter manufacturing business on which we shall be concentrating to increase this company's efficiency and range, and we have no doubt that it will prove to be a very important addition in our organisation.

CURRENT YEAR'S OUTLOOK

So far this year, there have been signs of a slight increase in the demand for our products, and I see no reason why this should not continue now that our customers' stocks have been reduced.

It will be observed that a provision for excess profits levy again has to be made in 1953 and that the net profit after taxation shows only a slight decline from £205,740 in 1952 to £202,004. This being the first occasion of the need to prepare a consolidated balance sheet there are no comparative figures. Net current assets at £1,003,494 indicate your company's strong financial position, and no effort is spared in maintaining the plant and machinery at a high modern standard of efficiency.

In conclusion and on your behalf I would record our thanks to all our employees for the contribution they have made to achieve the results in 1953.

The report and accounts were adopted; the dividends paid and proposed were approved; the retiring director, Mr J. S. Webster, was re-elected; the remuneration of the auditors, Messrs Franklin Wild and Company, was fixed.

AMALGAMATED METAL CORPORATION

METAL TRADE PROSPECTS

MR WALTER GARDNER'S STATEMENT

The annual general meeting of Amalgamated Metal Corporation Limited will be held on August 5th at 93 Gresham Street, London, E.C.

The following are extracts from the statement of the chairman, Mr Walter Gardner, issued with the report and accounts for the year ended December 31, 1953:

Apart from the possible impact of the lack of sterling purchasing power in various countries on the national economy, our group is directly interested in exports: Henry Gardner and Company Limited, in addition to its metal, rubber and produce activities, has devoted much attention since the war to building up a trade in general merchandise with and through our overseas associates (notably the century-old firm of Sandilands Buttery and Company Limited, Malaya) in addition to direct sales to customers.

LONDON METAL EXCHANGE

Generally speaking, 1953 has been a year, for non-ferrous metals, of great progress towards a return to traditional and proved methods of trading, so drastically disturbed during the war and subsequently. At the beginning of the year zinc was decontrolled; this was followed in August by the freeing of copper. In August, therefore, the London Metal Exchange regained its complete prewar status and all the four non-ferrous metals have been dealt in daily since then.

I need hardly say how greatly the reopening of the Exchange is welcomed by our organisation as without a terminal market the business of the producer, the consumer and the merchant is more complicated and hazardous than need be. It is evident that the market, as the months go on, is regaining its former status as the indicator of international values and as controls and restrictions are abolished the importance of the Metal Exchange will grow.

The demand for non-ferrous metals in the USA during 1953 was well maintained and with the lifting of controlled prices in this country, the margin between the two markets became somewhat wide. Generally speaking, the lowest point reached was in the early summer and although by then signs of falling off in the USA were manifest and dire prophecies expressed, business in the UK and Europe remained, despite an atmosphere of apprehension, by no means unsatisfactory.

Although it is outside the period of this review, at the time of writing prospects for metals for the time being appear to be surprisingly free of anxieties and burdensome surpluses for one reason and another have been removed from the immediate need of realisation.

THE RUBBER POSITION

The average price of spot rubber in London in 1953 was 20d. per lb as against 28d. in 1952 and 51d. in 1951. During the current year it continued to fall, reaching 16d. early in March. Since then it has recovered under the influence of events in Indo-China and an improving world statistical position.

The lower price of natural rubber has proved competitive with synthetic and has encouraged its use in the USA. Early in 1953 the ratio of consumption was 61 per cent synthetic, 39 per cent natural. At the present moment the relationship is about 50 per cent synthetic and 50 per cent natural. If this ratio is maintained it will result in an additional consumption of natural in the USA of around 65,000 tons in 1954, even though the total consumption of natural and synthetic is estimated at 100,000 tons less in 1954 than in 1953.

The surplus of natural rubber during 1953 is now estimated to have been approximately 110,000 tons all of which, with the exception of about 25,000 tons, went into Government stockpiles. The International Rubber Study Group estimates that in 1954 the surplus of natural will be about 25,000 tons. Allowing for further small Government stockpiling it would appear that supplies for commercial purposes are about in balance.

OTHER INTERESTS

Shareholders may be interested in some items of information regarding our subsidiary company, the British Metal Corporation Limited. In my statement last year I referred to this subsidiary's investment in a Canadian registered company called Rhodesian Asbestos Limited. It is expected that production will start this autumn.

During the course of last year Goodall and Company Pty. Limited, a subsidiary of the British Metal Corporation (Australia) Pty. Limited, acquired a business in Adelaide called Lapthornes (SA) Limited. This company engages in the same type of domestic and import trade as its parent, Goodall and Company, whose activities include engineering supplies, machine tools, machinery, etc.

During the year the British Metal Corporation acquired a minor share interest in the Key Engineering Company Limited, who are licensees for and distributors of a patented form of pipe made of pitch and paper. The British Metal Corporation's subsidiary, Richard H. Keeping Limited, is assisting the Key Engineering Company in the sale of these pipes. Some of our overseas subsidiaries are also representing them in their respective territories.

During the year the British Metal Corporation (Australia) opened a branch in Cairns, Queensland, whilst the British Metal Corporation (Central Africa) has opened a branch in Salisbury, Southern Rhodesia.

VENNER LIMITED

HIGHER VOLUME OF OUTPUT

ENHANCED REPUTATION OF COMPANY'S PRODUCTS

MR ARTHUR A. ROWSE ON PARKING METER SALES

The forty-third annual general meeting of Venner Limited was held on July 13th at the registered office of the company, Beverley Way, Kingston By-Pass, New Malden, Surrey.

Mr Arthur A. Rowse, CBE, MIMechE, MICE, MIEE (the chairman), who presided, said: As the directors' report and statement of accounts for the year have been circulated I trust that in accordance with our custom they may be taken as read. I am glad to be able to state that during the year 1953 both output from the works and deliveries to customers showed a further increase, which is reflected in the higher net profit for the year compared with the preceding period of twelve months.

PROFIT AND DIVIDEND

The profit for the year after depreciation amounted to £83,266. Of this taxation on the profits to date absorbed £55,892, leaving a balance of £27,374. To this has to be added the balance of £15,345 brought forward from the preceding year and the amount of £3,000 set aside for taxation on account of EPL for 1952, which is not now required. The amount available for distribution is therefore £45,719, which your directors recommend should be allocated as under.

To dividend on 8 per cent cumulative preference shares for year ended September 30, 1953	£1,290
To addition to general reserve ...	£10,000
To a dividend of 15 per cent on the ordinary stock, absorbing, less income tax	£17,820
Leaving to be carried forward to next year	£16,609

Increased availability of raw materials and the greater regularity of deliveries to us in 1953 enabled the company to support a higher output on a somewhat smaller volume of stock and work in progress. The decrease in debtors is attributable to the company having received certain progress payments in respect of work in progress just before instead of just after the close of the financial year.

The bank overdraft is substantially the same as at the end of 1952 but trade and other creditors show a slight reduction, whilst the increase in the provision for taxation reflects almost entirely provisions necessary in respect of our liability under the excess profits levy. Since the close of the year substantial payments have been made in respect of taxation. Current assets show a surplus over current liabilities of £214,959.

ENHANCED REPUTATION IN ENGINEERING FIELD

As mentioned in my address for the previous year the building extensions started in 1952 were finished in 1953 and are proving a valuable addition to the company's manufacturing resources. The extensions are fully occupied with high precision work and there is every indication that this is likely to continue for a considerable period. The high degree of accuracy called for in the finished product has necessitated advanced manufacturing methods. The successful establishment of the appropriate technique is a source of considerable satisfaction and enhances the standing of the company in the engineering field.

Net additions to plant and machinery amounting to approximately £19,000 were made during the year to enable the company to cope with increased demands for its products. The additional plant became productive immediately it was installed.

Both buildings and plant have been maintained in a high state of efficiency and recent concessions to industry made by the Chancellor of the Exchequer are enabling the board to formulate plans for still further facilities and improvements. In this and other ways we are doing our utmost by continuous attention to factory efficiency to offset such unfavourable factors as the recent wage award and the constant increase in the cost of services, for example, fuel, power and transport. In a modern works like ours, with up-to-date planning and facilities already in operation, the means of making major savings in cost are not readily found and unless the upward trend in wages and services is arrested price increases will be inevitable and our competitive position in the export market may become adversely affected.

COMPANY'S PRODUCTS

Since I have given year by year full statements regarding our products I will confine my present comment to parking meters now coming into production at our factory. Orders from the Commonwealth have been received in satisfactory volume and a number of enquiries from other parts of the world are engaging our attention. There is therefore every indication that a reasonably successful business in these instruments can be built up in overseas markets. At home it appears there are favourable prospects for sales of parking meters for privately owned parks. Should legislation be introduced authorising the use of parking meters in the public streets we should therefore be in a position to satisfy national requirements from the outset with meters of our own manufacture, fully tested operationally in various parts of the globe and types of climate.

The battery developments continued throughout the year and although no contribution was made to profits the benefits of the development work are being strongly felt in the current year and the volume of business shows a marked increase.

Our activities in the sphere of electronics have made good progress during the year. Satisfactory contracts have been received from the Admiralty. The electronic marker buoy has proved very successful in whaling operations. There is steady progress with other designs, which are meeting with increasing acceptance.

The board's policy of development in this and other fields is the main reason for the proposed alterations to the objects clause of the Memorandum of Association which members will be asked to sanction at the separate meeting convened for the purpose: they will then also be asked to adopt new Articles of Association for the reasons fully explained in the circular letter accompanying the necessary resolution.

SATISFACTORY CURRENT TRADING

I have pleasure in informing members that since the close of our last financial year the value of orders received and of deliveries made continue to show a considerable expansion. Indications are that current trading is satisfactory.

I should like to conclude by thanking all members of the staff and works employees for loyal co-operation during the year 1953 and I feel sure members of the company will join me in this.

The report and accounts were adopted.

The retiring director, Mr Arthur A. Rowse, was re-elected and the remuneration of the auditors, Messrs Price, Waterhouse and Company, having been fixed, the proceedings terminated.

At the subsequent extraordinary general meeting resolutions altering the memorandum of association and adopting new articles of association were approved.

ARTHUR BALFOUR & COMPANY

FACTORS AFFECTING TRADING

The fifty-fifth annual general meeting of Arthur Balfour & Company Limited was held on July 9th in Sheffield, The Hon R. A. Balfour (the managing director) presiding.

The following is an extract from the circulated statement of the chairman, Lord Riverdale:

Whereas in certain former years there was an element of windfall profits and the year 1952 was considered as a return to more normal conditions, the results for 1953 bear the brunt of abnormal and adverse factors.

In a period in which trading conditions were difficult a turnover was obtained which, having regard to prices, was reasonable compared with the preceding year. Stocks at home, overseas, and in the pipeline, have been affected by a heavy fall in values, due primarily to the collapse of Tungsten prices throughout the year and this has had a substantial and adverse effect on the results.

The company also encountered a devaluation in Brazilian currency, and it has been considered prudent to apply the lower exchange rate to the stake involved by our operations in that country. We are, of course, not alone in this experience, which is a sad reward for the enterprise and effort devoted to opening up and developing our overseas markets in former years.

THE YEAR'S RESULTS

The profits of the group before taxation amount to £178,074 compared with £436,536 in the preceding year. Reference has been made in former years to the high level of taxation, and this now absorbs nearly 55 per cent of such profits.

Activity throughout the year varied and was not uniform in the production divisions, but in general was not at any time at maximum outputs.

The cash position is easier as a result of lower values but we have projects in hand and can foresee calls on our resources which are likely to make heavy calls on the available funds.

The board, after careful consideration of the factors outlined, feel they are able to recommend a final dividend of 5½ per cent, making a total of 8 per cent for the year, compared with an equivalent of 10 per cent for 1952.

It is proposed to transfer £70,000 from stock and contingency reserve and to appropriate £125,000 to general reserve, leaving a carry forward of £145,139 as compared with £140,722 in 1952.

The results of the subsidiary companies at home and overseas are incorporated in the

group profits, but their contributions show a reduction as compared with 1952.

It is with concern that I again record a further increase in wages—not effective in the figures before you—which, in the opinion of the board, is unlikely to be recovered by trading and therefore likely to affect the profit of the current period. There are also increases in fuel and power costs, both detrimental at this time.

Stability in values, particularly of alloys, is not in sight, but it is unlikely that the results for this period will be dislocated by this factor to the extent they were for 1953.

The outlook is a continuance of present conditions, but we hope to regain some of the ground lost by last year's abnormal features and if an improved trend of activity could be achieved and an increased value of orders obtained we might hope to see a marked improvement.

The report was adopted.

DENNISTOWN RUBBER ESTATES, LIMITED

A DIFFICULT YEAR

The twenty-first annual general meeting of this company was held on July 13th in London, Mr J. L. Milne, chairman, presiding.

The following is an extract from his circulated review:

The year under review proved to be a difficult one for rubber producers as the market price of our product continued to decline. Although the average spot London price for first quality sheet for the previous twelve months was 2s. 4¼d. per lb and as high as 4s. 3d. per lb for the year 1951, it was only 1s. 8d. per lb for the year under review.

Together with this fall in price there was a further factor contributing to our decreased earnings, namely a reduction of 295,282 lb in our output. This disappointing harvest was caused by a continued decline in yields and a changeover of certain areas to a lighter system of tapping which will help to conserve bark for more profitable times. Compared with £142,069 in 1952 the production for 1953 brought in only £78,426.

The profit for the year after charging taxation was £2,655 compared with £16,241 for the previous year. After crediting replanting cess refunded in respect of 1952 of £3,459, surplus on sale of equipment of £76 and taxation over-provided in previous years of £7,113 and also appropriating £7,659 to replanting account and providing for the dividend of 5 per cent paid on May 14, 1954, we are carrying forward the sum of £15,226 at the credit of profit and loss account against £14,243 brought in from the previous year.

The crop obtained for the five months to May 31, 1954, amounts to 376,100 lb.

The report was adopted.

UNIVERSITY OF SYDNEY, AUSTRALIA

Applications are invited for the position of LECTURER IN GOVERNMENT AND PUBLIC ADMINISTRATION.

The salary for a Lecturer is within the range of £A1,100-£A1,450 per annum, with annual increments of £A50. The salary is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to the qualifications and experience of the successful applicant.

Finance available for home purchase under Staff Members' Housing Scheme.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in Australia and London, is August 14, 1954.

AUCKLAND UNIVERSITY COLLEGE
(University of New Zealand)

Applications are invited for the position of LECTURESHIP IN GEOGRAPHY.

The position calls for qualifications in cultural (including economic) geography, with the ability to conduct post-graduate courses in economic, historical or colonial geography. Regional specialisation outside Europe, North America and the southwest Pacific would be an advantage.

The salary scale for the position is from £800 to £950 per annum, plus a recent general wage increase of £92 8s. per annum. Three annual increments of £50 will be paid.

The Lecturer will be expected to take up his duties on February 1, 1955, or as soon thereafter as may be arranged.

An allowance will be made towards the cost of travelling expenses.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications in New Zealand and London, is August 31, 1954.

SOLICITOR required as Legal Adviser to the Divisional Board of the West Midlands Division of the National Coal Board whose office is near Dudley, Worcestershire. Experience of the coal industry, while an advantage, is not essential, but the applicant must be an experienced, able and energetic lawyer who will take a real interest in the industry, and undertake responsibility for running a busy office concerned particularly with common law litigation, commercial work, and conveyancing. The starting salary will be according to experience, but will not be less than £2,000 per annum.—Applications, stating age, qualifications and experience should be submitted not later than August 14th, to the Divisional Establishment Officer, National Coal Board, West Midlands Division, Himley Hall, near Dudley, Worcs.

ACCOUNTANT with experience of industrial management accounting and preferably C.A. and C.W.A. for post of CONTROLLER in rapidly expanding well-founded concern in country town in South. Do not apply unless you can show by reference from leading member of accounting profession or from leading industrialist that you have sound judgment, capacity for clear exposition and ability to work with others of different outlook beyond the extent to which such qualities required by an ordinary good accountant.—Reply to Box 631.

LECTURER, two hours weekly, for Course on Administration and Management. September. Please state qualifications, experience, and when free.—Box 628.

THE Association of British Chambers of Commerce invites applications for the post of Legal and Parliamentary Secretary, commencing September 1, 1954. Knowledge of law and accountancy essential. Duties include complete service to a committee. Commercial experience desirable. Age not exceeding 35. Commencing salary £1,000 p.a. with prospects. Contributory pension scheme.—Applications, marked on the envelope "F.T.S. Confidential" should be addressed to the Secretary-General of the Association, at 14 Queen Anne's Gate, Westminster, S.W.1, to reach him not later than August 7th.

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Applications are invited for appointment to the post of LECTURER IN ACCOUNTING in the Department of Commerce.

Applicants must be professionally qualified. Extensive practical experience, teaching experience, a University degree and ability to lecture in specialised accounting subjects will be considered additional recommendations.

The substantive salary scale attaching to the post is £850 x £50—£1,150 per annum, together with a temporary cost of living allowance of £234 per annum in the case of a married man.

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The successful applicant will be expected to assume duty on January 2, 1955, or earlier if possible.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in South Africa and London, is August 16, 1954.

UNIVERSITY OF NEW ENGLAND, ARMIDALE, NEW SOUTH WALES

Applications are invited for the position of LECTURER IN ECONOMICS.

The lecturer appointed will be required to prepare and conduct correspondence courses in the subject of economics for the B.A. degree. He may be required to undertake some internal teaching in addition to correspondence duties, and he will be encouraged to engage in research work.

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Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in Australia and London, is August 16, 1954.

ASSISTANT to the Secretary required by established London Publishing Company. Secretarial and accounting responsibilities and general administrative work. Age 26-30. Commencing salary £600.—Full applications (own handwriting), including present salary, when available and at least one business referee, to Box 622. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.

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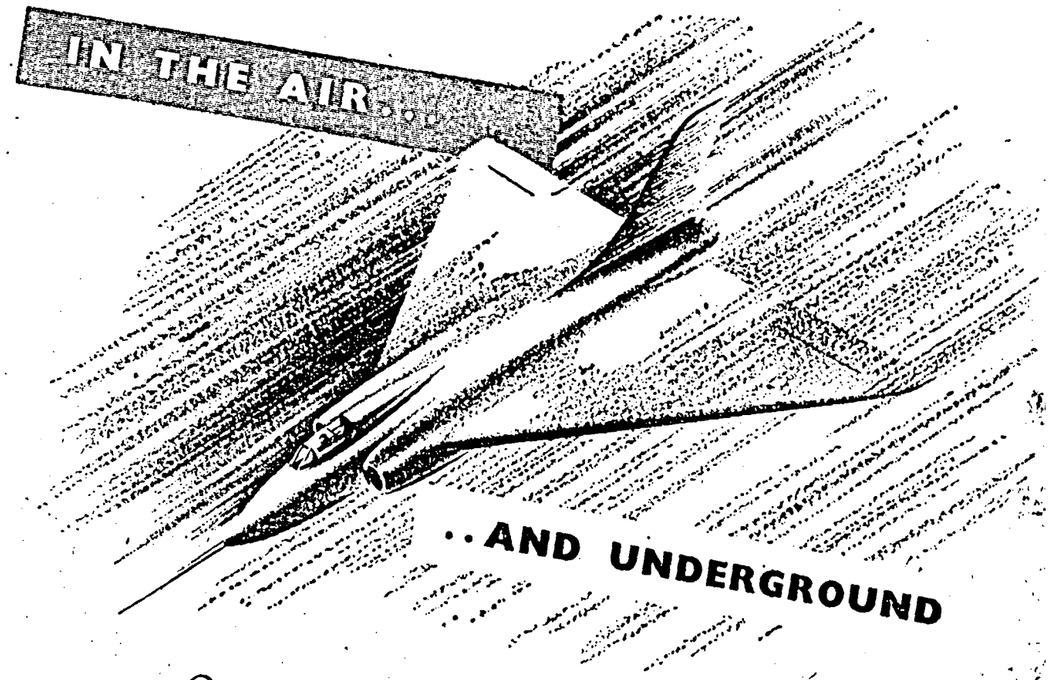
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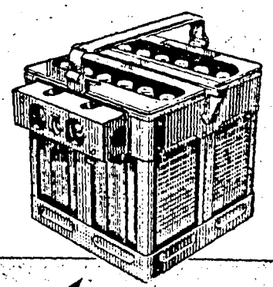
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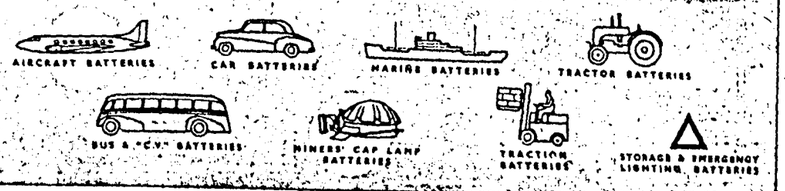


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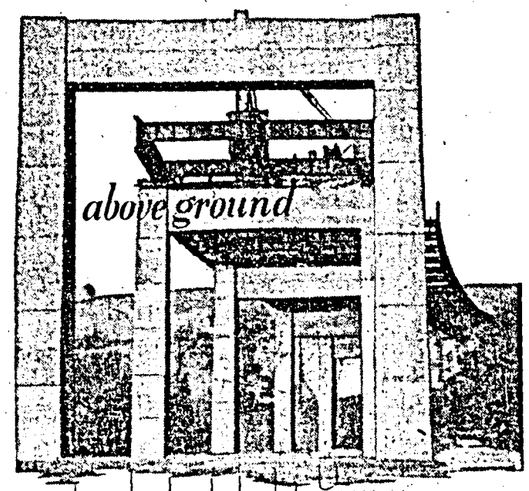
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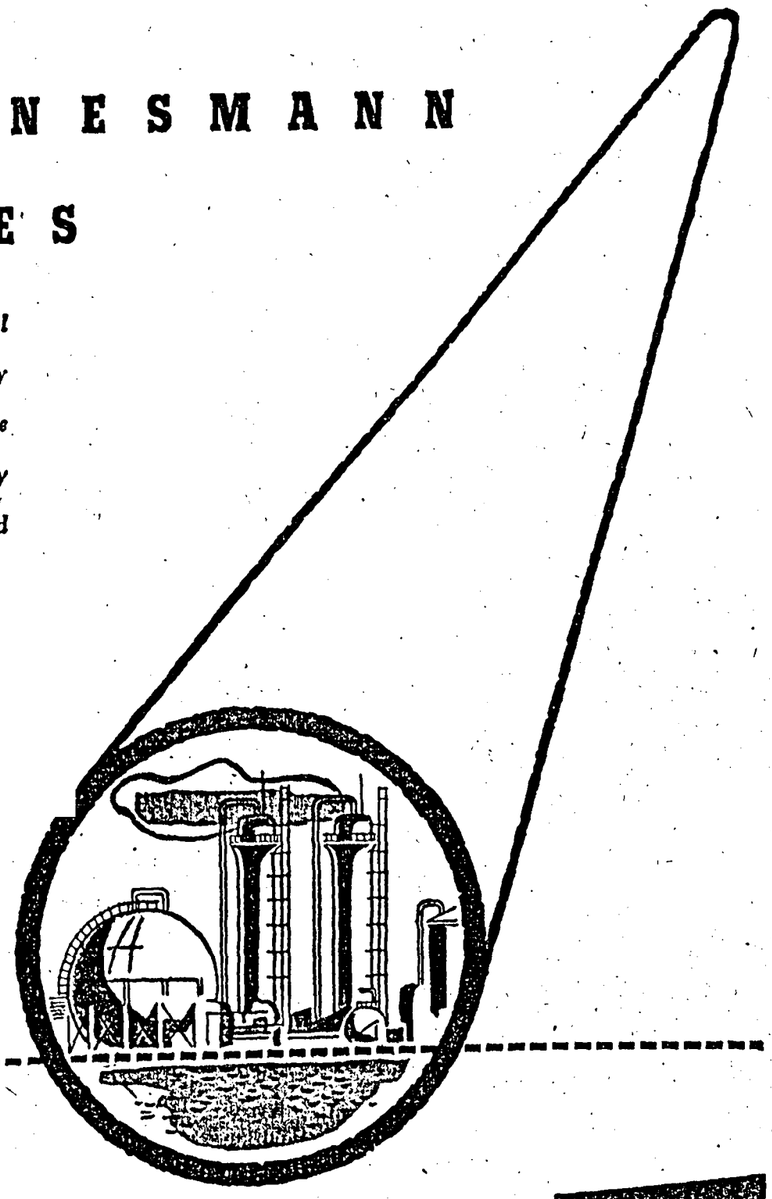
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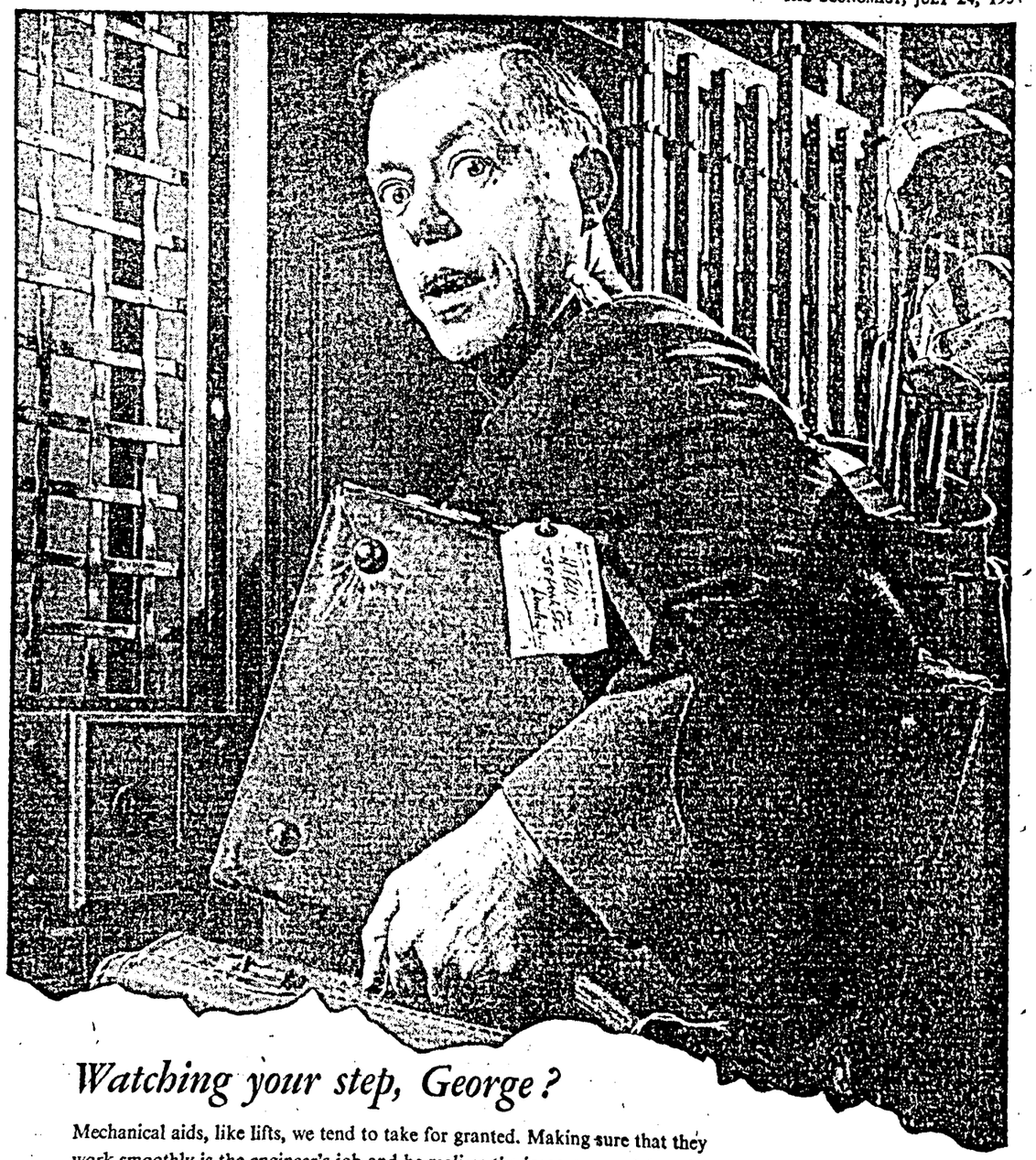
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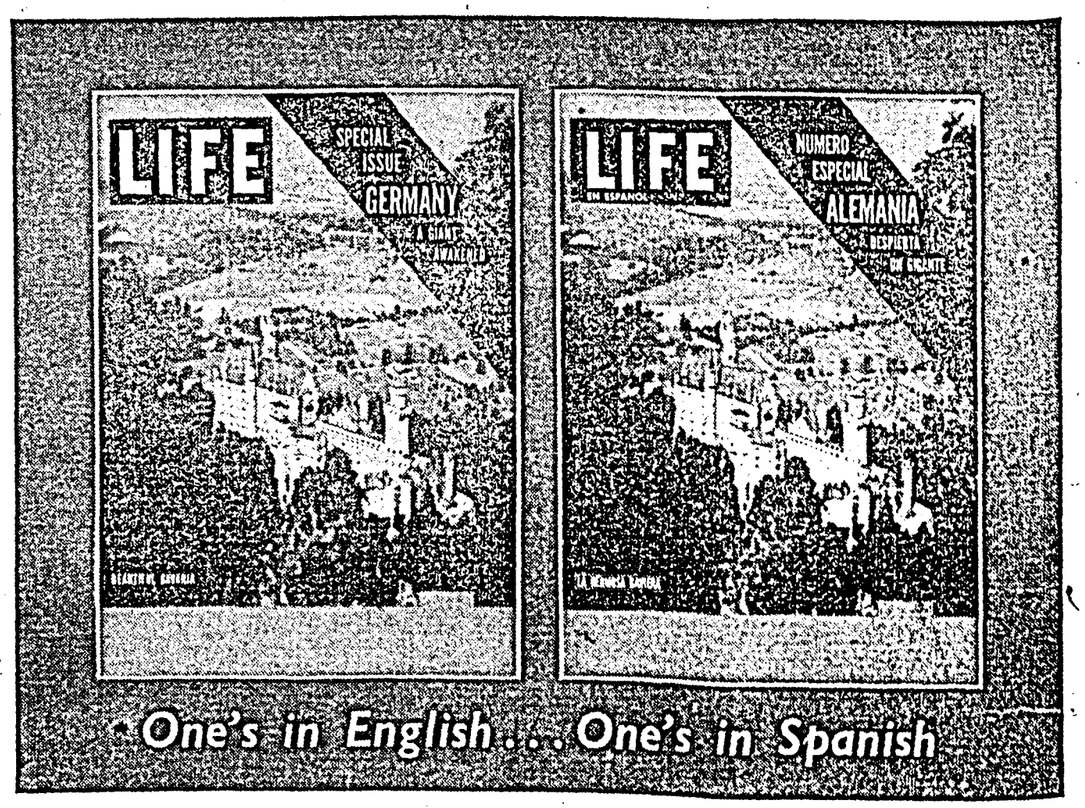
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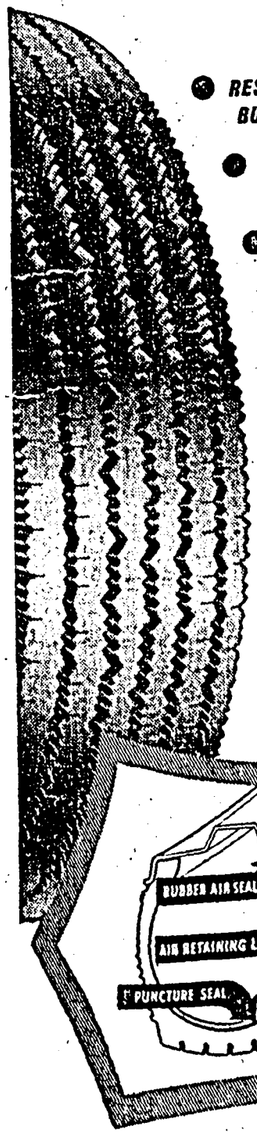
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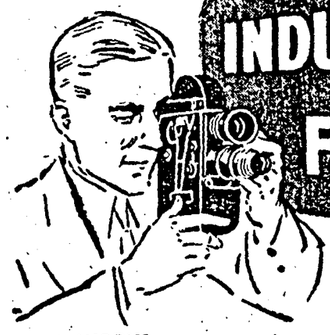
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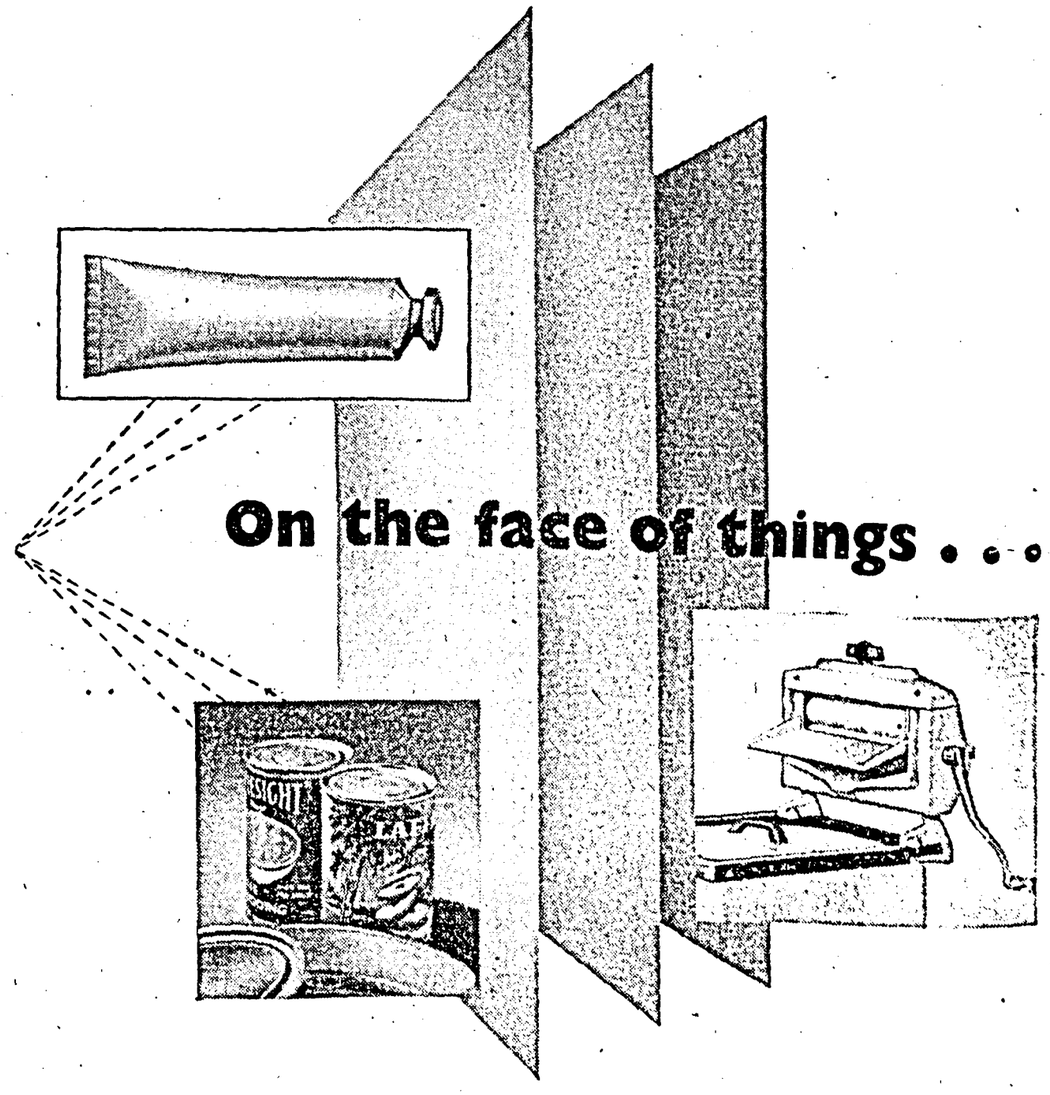
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The Real Lessons of Indo-China . . 259
Relief of Need 261
After Crichel Down 263
Diplomacy and Cyprus 264

NOTES OF THE WEEK
Without Dishonour; Still Against the Clock; Agenda for Fratricides; It Would Not Happen; Mr Do Resigns; Crossed Wires in the Balkans; The Stokers' Strike; Buffers to Lodging Turns; Wrong Plan for Refugees?; Japan's Trade Unions Meet; Indonesia's Yen Gap; Gatwick's Grievance; Main Road in Buganda; Preventing Polio. 266

BOOKS AND PUBLICATIONS . . 275
LETTERS TO THE EDITOR . . . 278

AMERICAN SURVEY
Power Politics and Atoms 281
So Far, So Good; Road Map for the Future; Housing Frauds?; Unemployment Changes; Mechanisation in Coal Mines; Pandora's Police State; Shorter Notes.

THE WORLD OVERSEAS
Creeping Convertibility 289
The Cypriot's Dilemma; Guatemalans Take Stock; Notes from South Africa; Pioneering at Kitimat; The Finns Flirt with Moscow; Journal of Geneva—XI.

THE BUSINESS WORLD
Oil on the Margin 299
One Instalment for H.P. 301

BUSINESS NOTES
Markets at a Pause; Bank Deposits and Conversion; A Million Motors?; Second Thoughts for Rio Tinto; Terms of Trade Worsen; Few Orders for Ships; South Africa's Gold Sales; A New Copper Contract; Investing in Aviation Spirit; Bigger Board of Trade; VHF Approved; Radioactive Economics; Machines from Abroad; The Bowater Concert; Demise of the Cotton Commission; The Consumer's Whisper. 303

COMPANY NOTES AND SECURITY PRICES 313
STATISTICS 316

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The Real Lessons of Indo-China

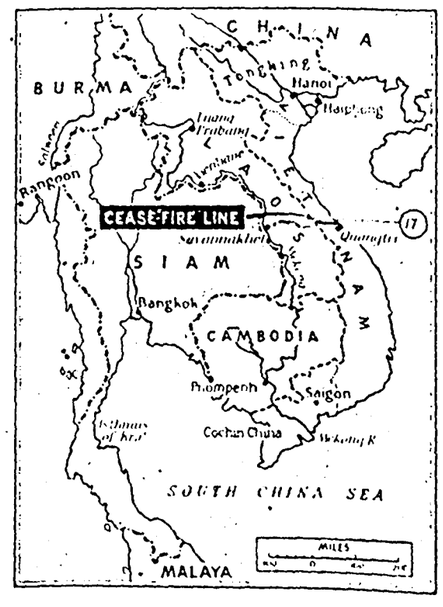
IF the soldiers in Indo-China can now rest, the diplomats and politicians cannot. The hectic pace of negotiation set last week at Geneva is no longer necessary; but if the new atmosphere of *détente* creates a belief that from now on the only task is to complete formalities, the consequences will be disastrous. What has been achieved at Geneva is not a settlement in the true sense of the word, but a cease-fire and a plan for a settlement.

At first sight, admittedly, there is something for everybody in the agreed terms—for France, relief from eight years of bloodshed; for M. Mendès-France and Mr Eden, the laurels of peacemakers; for Britain, the prospect of a more cordial *entente* and a more stable situation in South East Asia; for the United States, a chance of avoiding bitter internal recrimination during the coming elections; for the Indo-Chinese peoples, peace; and for their Asian neighbours, relief from fear that the fighting would spread. On the Communist side, the Viet Minh will gain, along with Hanoi, the chance to emerge from the jungle and build a new "people's democracy" with industries based on the mineral resources of Tongking; China secures not only a puppet border state, but also a new advance towards its goal of great-power status; and the Russians look forward to a general relaxation in the free world and an open door to still more conferences at which they will be able to exploit western differences. But the various plums in this rich pudding have yet to pass the test of the eating.

Let all due praise be given to M. Mendès-France and Mr Eden for the skill and patience with which they have carried through a most intricate tactical task; and let due credit be given to the Communist negotiators for their last-minute concessions. While there is no cause for rejoicing over a bargain that involves relinquishing several million people, and important towns and natural resources, to an exultant Communist army, the hard fact must be faced that the bargain might have been a much worse one, for the French Union forces had suffered grave defeats in the field and new defeats were imminent. All this must be said; but it must not blind people to the many dangers that lurk in the terms that have now been agreed. Even a cursory glance at these reveals half a dozen problems that must come to a head in future months. Will the international supervision of the armistice and the elections be paralysed by the "built-in veto" which Poland can wield? How much will the integrity of Laos be compromised if the Communists are left in armed control of the north-east part of this small state? If Viet Minh forces are evacuated from southern Vietnam, how many arms and secret sympathisers will they leave behind to harass the Saigon government? Can the unstable and infant state of Vietnam survive a *de facto* partition which places a majority of its people behind the Communist lines? And do the cease-fire terms merely assure the Communists that, within two years, they will gain by political

means what they are now pledged not to seek by armed force—control of all Vietnam, with a consequent stranglehold on Laos and Cambodia and a direct threat to Siam and Malaya?

This last question is critical. It is true that by the summer of 1956 two years of stability and progress in the south may have robbed the Viet Minh of much of the dynamic attraction which would probably win it a majority of votes throughout Vietnam if elections were held now. Ho Chi Minh has undoubtedly appealed to many Vietnamese not only because of his claim to head a patriotic and progressive movement, but also because he has been winning; if his forces now quit the south, and a sovereign government in Saigon makes real headway with overdue reforms, the picture may change. But there are no grounds for optimism. The elections in 1956 will be dominated by the relative armed strength of the two halves of Vietnam; and as things stand, General Giap's Red Army is bound to be the stronger.



In Indo-China itself, the supreme task that now faces France and its friends—with, it is to be hoped, the active help of the countries of free Asia—is to foster a truly sovereign and stable policy in southern Vietnam, Laos and Cambodia. But political and economic progress alone cannot ensure the growth and survival of free institutions in an area overshadowed by totalitarian power. If the Indo-Chinese states are to be neutralised, means will yet have to be found of assuring them that they will not be abandoned to any future aggression. The Geneva agreements in no way lessen the need for South East Asian defence arrangements; on the contrary, they provide a basis on which such arrangements could be built up.

The general reaction to the news from Geneva, however, is all too likely to be not a girding of loins in readiness for new and urgent tasks, but a mood of simple relief and relaxation. Relief is justifiable; relaxation is not. Already the Communist propaganda machine throughout the world has swung into action with the arguments that Geneva has shown that negotiation can solve all problems, that China and Russia have satisfied all demands for proof of their peaceful intent, and that the time has come to scrap all the free nations' plans for joint defence through the European Defence Community, Nato, or a South East Asian pact. In the last critical hours at Geneva, Chou En-lai was again insisting that Asian peace must be kept only by "mutual obligations" between the Asian governments. Molotov's parallel plan for Europe is again being actively canvassed; and with the ink barely dry on the Indo-China agreements, the Russians are urging a not altogether unwilling France to come back to the conference table for another debate on Germany.

The argument is plausible and the temptation strong. The Geneva agreement will encourage the already strong desire for relaxation among the free nations. But, as on so many earlier occasions, it must be realised that this would be a one-sided relaxation. Democracies, having once got it into their heads that peace can be had on easy terms, can regain a posture of vigilance and strength only by excruciating efforts. "Monolithic" states like those of the Communist bloc, on the other hand, find it easy to launch flights of doves with one hand and droves of Migs with the other. Nor is their unity likely to be much impaired by disputes, such as the free world knows so well, between those who yearn for compromise and those who are wary of all diplomatic approaches.

It is therefore supremely important to distinguish the true lessons of Indo-China from the false ones which are already being propagated. Of these true lessons, five are outstanding. First, Indo-China has shown how dangerous it is for any group of nations to attempt, or talk of attempting, what is clearly beyond its power; if, hereafter, the western governments cut their coat more strictly according to their cloth, this lesson will not have been wasted. Second, it has shown the vital importance in our age of a sincere and generous approach to the peoples who are now emerging from dependent status. In Vietnam, the Communists' worldwide strategy of identifying themselves with the upsurge of nationalism was given every assistance both by French recalcitrance and by the fluctuating policies of the other western powers; and the result was the embittering of relations between Asians and westerners not only in Indo-China itself but throughout southern Asia.

The third lesson is, perhaps, the one that needs most hammering home as far as the British public is concerned. The applause that has greeted Mr Eden's diplomatic success at Geneva has been fully deserved; but most of those who applauded have chosen to forget that British diplomacy was even in this case pivoting on a fulcrum of American power. Both Mr Eden's warning in June and M. Mendès-France's dramatic deadline this week would have been less successful in winning concessions from Molotov and Chou En-lai if the thought of the United States' armed might had not been in the minds of the Communist leaders. Tactically, the Americans have presented a sorry spectacle throughout these last three months. They have been sulking on the sidelines, tied hand and foot by the inanities of their domestic politics, and nothing could exceed in childish petulance the reaction of most of them (President Eisenhower honourably excepted) to a settlement which is fully as much a relief to them as to everyone else. But for all this, it is America's strategy, the strength and backbone that it has put into the free world—not in the past three months but in the past six years—that has made it possible to retrieve anything at all from the French collapse in Indo-China. If the Communists were willing to refrain from pushing their advantage to the utmost, it was primarily not because of Mr Eden's or M. Mendès-France's skill in negotiation, but because the Americans are strong and have shown that they will use their strength if Communist aggression goes too far.

The Communists themselves know this well enough, and their chief object in conforming to M. Mendès-France's timetable was to avoid driving France finally and unconditionally into America's arms, and specifically to detach France from America in Europe. Negotiation over Indo-China, they are now able to argue, should set the pattern for fresh negotiations in Europe, and particularly over Germany. But the fourth lesson is that this offer is a trap. Agreement to divide Vietnam is no pointer to an agreement to reunite Germany. True, in Indo-China the West has had to accept a "neutralisation" such as it has rejected for Germany. But in Vietnam the Communists have won both a military victory and a wide measure of popular support; in Germany they have won neither, and for Germany the true lesson of Indo-China is the fact that military and political weakness must lead inevitably to acceptance of Communist terms.

Finally, the fifth and most painful lesson of Indo-China is the impossibility of holding in check a dynamic and ruthlessly disciplined movement when there is no matching unity among the potential victims. In Europe, the free nations have held their line in recent years because they possessed both a joint defence organisation and an ideological bond. In South East Asia there has been neither of these things. The Geneva agreements may yet provide a basis on which to build a new unity in the region before it is altogether too late. But they also provide an awful example of what happens when unity, and unrelaxed effort behind the unity, are lacking.

Relief of Need

BOTH parties vied for the public's favour in this week's pensions debate, by bidding vehemently against each other with the public's own money. The Government is to delay an increase in national insurance benefits until "the current review of all the financial and other problems involved has been concluded," in the autumn of this year. But it has already decided that its election slogan must be to announce that it has "made good to old age pensioners, the war disabled, the sick, and the unemployed the whole of the injury and loss they suffered in six years of Socialist administration." This presumably means full compensation for the rise in prices since 1946, at least 4s. a week on standard benefits, and an additional burden on taxation or contribution rates of around £50 million a year. The Opposition has made the same pledge, and has also said that it would check the real value of benefits each year; after the Minister of National Insurance reminded them of the omission, and indicated that the Government prefers an increase in national insurance benefits to an increase in national assistance standards, some Labour members have put down a motion pledging themselves to raise national assistance standards as well.

This auction may be good politics; certainly both parties are right in assuming that public opinion does not want any Government to play the Scrooge in this matter. But the present atmosphere of competing altruism is not one that will ensure that the money that is rightly to be spared will be spent where it is most needed. The basic problem is that although public opinion has recently moved strongly in support of the aged and infirm, it is not at all clear which of two separate feelings it has been trying to express. The British people should now be asked to make up their minds. Is their primary concern that relief should be brought to the really needy, that life should be made less bleak for those who are struggling along near to a subsistence standard of keeping alive? Or are they asking for an implementation of the Beveridge principle: that everybody who has paid his proper number of insurance contributions should enjoy as of right, and without question, a pension big enough to provide a bare subsistence and no more? Is it bare subsistence for all, or rather more for those who have nothing but their pension to live on? These are two different aims; since they are also two expensive aims, a country that is faced with an ageing population will be forced to treat them as alternative—not as coincident—ways of spending a lot of money.

Although the Government seems to favour a flat increase in old age pensions and other national insurance benefits this step would not, by itself, bring any relief at all to those in the direst need. It would help

three-quarters of existing pensioners, and four-fifths of existing recipients of unemployment and sickness relief; but they would be, respectively, the three-quarters and four-fifths of those recipients who happen to be better off than their fellows. The neediest one million of the four million old age pensioners, the neediest 200,000 of the million on unemployment and sickness relief, the army of hard-pressed people who have fallen through the net of the comprehensive national insurance scheme, would gain no relief. These are the people whose incomes are at present brought up to a bare subsistence standard by supplements from the national assistance authorities, after subjection to a needs test. Any shillings added to their basic pensions or other insurance benefits would mean that an equal number of shillings would be cut off their national assistance supplements. The most logical policy in relief of pure need would be to leave the standard rates of pensions and other insurance benefits where they are at present, and to concentrate all the money that can be spared on improving national assistance grants. The really poor, those who are already on assistance, would get more, and some of the people who are just above the present and austere official definition of the subsistence line would be brought under the assistance authorities' wing.

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Although this is the most logical policy on humanitarian grounds, it is not the policy that is likely to be adopted. There are several objections in the way. One is that it would be less popular politically because it would benefit fewer people. Another is that a spreading of the needs test might hurt the self-esteem of some of the new beneficiaries. Another is that, for a man with a wife and three children of school age, national assistance standards are already near to the minimum wage in industry; such a man may now draw anything between £5 and £6 a week—made up of the basic 59s. for a married couple, plus an allowance for rent (averaging about 11s. 6d.), plus anything from 33s. to 48s. in allowances for his children. A final objection is that the needs test, which is a personal and not a household test, may not always prick out the neediest people; some of those now drawing assistance are living with members of their families who are active earners, and may be much better off than some who are struggling unassisted in households of their own.

These, however, are familiar problems; it is no new discovery that the confining of relief to those who are really in need may not always be universally popular, may hurt some people's self-esteem, may encourage "shirkers," and may raise awkward anomalies. It was precisely in order to avoid these difficulties that the principle of sturdy social insurance was born, and it would, indeed, be very satisfactory if insurance covered all cases of need. But the fact remains that it does not; inflation has cheated the insured population of the security it was led to expect. And the dilemma also remains: which is more urgent, to restore the expectations of the great majority (which may have little to do with real need), or to deal with the actual cases of poverty (which cannot now be met by the insurance principle)? Those whose speeches are full of the pathos of poverty are inconsistent when they advocate a revision of the insurance scales. Their argument should really lead them to campaign for increased national assistance, which is a very different thing.

A great deal of money turns on the choice between these two alternatives. And in national insurance—unlike some other departments of the welfare state—there is no doubt where the bulk of the money comes from. If all the rates of benefit are to be raised to subsistence level—if, for example, the standard minimum pension of a married couple is to be raised from 54s. to, say, 70s. or more—then there will have to be a very sharp rise in the contributions. The employers' contribution is a direct tax on employment. The employees' contribution is a flat-rate poll tax of the most regressive kind. Does the public really want to put this burden on itself in order that everybody—the retired managing director as well as the retired dustman—shall be given 70s. instead of 54s. a week? Might they not prefer those who have no other resources to get 80s. or 90s., or whatever sum is needed to provide a bit more than bread and scrape? Is it really reactionary to advocate the latter?

These are the issues that the Government, aided by the deliberations of the Phillips Committee and the report of the Government Actuary, will be given an opportunity to settle before the end of this year. At the moment it seems intent on missing that opportunity, on shuffling towards a politically acceptable compromise that has been conceived in a fit of muddle of mind. The muddle should be cleared by posing three straight questions. First, is the principle of subsistence pensions for all, whether they need them or not, and whatever it may cost, still regarded as an essential objective? If so, they will have to be very bare subsistence pensions, and the insured population will have to start paying much bigger weekly contributions than it is doing at present. Or, secondly, does the country want to keep a check on the mounting cost of social insurance, while still providing something more than bare subsistence for those who have no other resources? In this case each person's pension should be actuarially related to the contributions he has made, and any supplement to bring it up to a subsistence standard (which could be more generously interpreted than it is at present) should be paid only after individual tests of need. Or, thirdly, does the country want to be wafted, by varying political pressures, along a course that will combine the worst of both plans, that will incur an enormous expenditure in the effort to avoid all needs tests, without ever succeeding in doing so? If the country does not want this unsatisfactory botch, it had better say so quickly; for this year's review may set it on such a course for ever.

After Crichel Down

THE broom that has swept through the Ministry of Agriculture has been so forceful that it has left a sense of bruise and shock behind it. The debate in the House of Commons last Tuesday was overlaid by this sense of shock, by the sympathy that is felt in any community when a widely respected man has lost his job. But these personal reactions and regrets are only the small change of the Crichel Down story. The real importance of this week's events is that it is now possible to assess more calmly the consequences of this remarkable affair for the future of British government. The scoreboard seems to show one signal victory for the public interest, and one unfinished piece of business.

The victory has been won by Sir Thomas Dugdale's courageous resignation. Present and future Ministers have been reminded that the doctrine of Ministerial responsibility is still an essential feature of British democracy; that if they fail to take early and effective action to counter potential miscarriages of justice or of policy within their own departments, they must expect to step down from office. It has at last been recognised that the complexity of modern administration, which has made this doctrine of responsibility appear the more cruel on the individual, has also made insistence upon it the more essential. There had been some falling off from this tradition during the post-war Labour Governments; to cite only two instances, no resignations followed upon the groundnuts fiasco or upon the gross miscalculation of expenditure in the early stages of the national health service. Sir Thomas Dugdale will now go down in British history as the man who has revived this tradition; and congratulations should be proffered to him along with personal commiseration.

The Labour members who thought they were supporting Sir Thomas on Tuesday seemed totally unable to understand this essential point; indeed, by assuming that a triumphant resignation in defence of a principle was merely a defeatist dismissal in response to backbench pressure, they gratuitously added insult to accepted injury. But theirs was not the only instance of blindness during the debate. Another essential point was missed by almost every speaker, by the Government spokesmen no less than by backbenchers. And it is in this respect that the debate has left the public interest saddled with some unfinished business. Can anybody be sure that there will be no more Crichel Downs, in the widest sense in which that term has become part of the English language?

When Government spokesmen claimed on Tuesday that they could give this assurance, they were referring only to the symbol of Crichel Down in its very narrowest sense—as applied to land deals. In that narrowest sense the remedial action which the Government has taken is no doubt satisfactory. In future officialdom will not hold on to land that has been compulsorily acquired for defence purposes, in order to experiment with model farms or other hobbies; the land will be offered back to the public when the military authorities no longer need it, and the former owners will generally be given special opportunities to buy it. There will also be an independent review into the way in which Crown Lands are administered, and an overhaul of the methods adopted for handling land transactions within the Ministry of Agriculture and the Agricultural Land Commission.

To official eyes, it must therefore seem that this molehill of downland has brought forth a mammoth of reform. But this is because official eyes, from the first, have been contained in agricultural blinkers. The Government has still not understood that the real reason for the public flurry over Crichel Down, a flurry that has extended into quarters that have no interests in agriculture whatever, is that this small plot of England has become a symbol for a widespread sense of public irritation; for the disgruntlement of thousands of British people who have come into contact with power-corrupted officialdom in the last fifteen years—and have been made to feel like worms in the process.

This irritation has inevitably spread as the points of contact and possible conflict between officials and individuals have multiplied with the growth of the state-directed economy. These contacts and conflicts now stretch over a wide range of licensing or rationing regulations, town and country planning dictates, and other central or local government decisions. Again and again private individuals have had cause to feel that their rights have been infringed by arbitrary official action; and they have usually had no avenue of appeal open to them, except perhaps to another member of the same official team. The only way in which this public bitterness can be set at rest is by opening new avenues of appeal, by ensuring that every private individual who thinks his rights are seriously impaired by some official action should be allowed recourse to some form of independent referee—as Mr Marten eventually was, but only after unconscionable pother.

This view will be firmly resisted by civil servants. Indeed some of them are still criticising the fact that an inquiry was allowed at Crichel Down. They say that executive action will be crippled if it is to be constantly retarded by appeals from the disgruntled; that it is unfair that letters that were meant to be private communications between officials should be dragged out into the open, to satisfy the *Schadenfreude* of the public; and that judgment on ordinary acts of state control should never be devolved upon a single lawyer, who might dislike state control for its own sake. The first of these objections has some substance behind it; if new avenues are opened for individual appeals, some road blocks must also be erected along them against purely frivolous or obstructive actions. But the second

and third objections are based on a fundamental misconception. Those who call for a much greater use of independent scrutiny in all disputes between officials and members of the public do not do so because they want to penalise the civil service, nor because they believe that injustice is often done. The essential thing is that justice should be manifestly seen to be done. As the Woods committee puts it

> The civil servant should bear constantly in mind that the citizen has a right to expect, not only that his affairs will be dealt with effectively and expeditiously, but also that his personal feelings, no less than his rights as an individual, will be sympathetically and fairly considered.

That is a principle that has been forgotten in the great rush of delegated legislation in recent years. But when they have had time to reflect on it, civil servants should be able to see its value, if only as a means of self-protection.

The battle of Crichel Down has advanced the standard of individual rights in these disputes with officialdom ; but it has not yet carried it to final victory. Before Crichel Down civil servants felt almost inviolate, and ministers had no pressing reason to pry around their departments to ensure that isolated acts of despotism did not occur ; now both parties are very much on the alert. Before Crichel Down the public felt that it could never hope to press disputes to the point of redress ; now it is licking its chops. There will be disagreement whether this should be called an attitude of vigilance or of vindictiveness ; but there will be agreement that it could lead to many more explosions as noisy as that which has just engulfed Crichel Down. The real measure of the need will not have been taken if the only result of this affair is a resolve to make enquiry into future Crichel Downs before they have reached such an explosive stage. What is needed is a new principle of government, to be applied right through the whole body of delegated powers : that no Minister and no department shall take any decision affecting the rights or property of any individual without the papers being referred—not necessarily for decision, but at least for report—to some wholly independent scrutiny.

Diplomacy and Cyprus

CYPRUS, the island of Aphrodite, is a place about which decisions are never as simple as they look. Misgiving dogs anyone who tries to take them, with the result that everyone concerned tends to evade them whenever possible. The island has therefore lived for years in a political twilight in which a civilised population of European breed—four-fifths of it Greek and the other fifth Turkish—has existed under British management, prospering materially but stagnating politically, because its Greek inhabitants will not accept any political responsibility lest to do so should damage their claim to *enosis* or union with Greece.

In 1954, several happenings have jolted the interested parties into taking decisions or stands. The most important has been the growing evidence that Anglo-Egyptian tension, coupled with new military thinking in Nato, is leading to a new pattern of defence arrangements in the Eastern Mediterranean. The corollary that more installations would be planted in Cyprus has led the British Government to attach a new importance to its legal title to sovereignty, and the *enotists* to think that they had best double their fuss before radical changes take place. Simultaneously, there has arisen in Athens a degree of dissension within the cabinet that called for a deflection of public opinion from differences at home. Cyprus offered such a topic, and when, in March, Mr Eden offended Greek sensibilities by making a frank but over-brusque declaration that there was no room for discussion of its status, the Papagos government decided to take the brakes off the campaign for *enosis* and give it its active support.

A chain reaction set in. The Greeks warmed to their subject and told the *enotists* that unless Britain would agree to talks they would bring the matter before the United Nations. The Turks, fearful lest Britain should quit the island and so reduce the immediate military help that Turkey could expect if molested, urged Greece to think twice before picking a quarrel ; they also began to fan the embers of nationalism among the Turks in Cyprus. The British appointed a new Governor and told him to stick to the tried but hitherto sterile course of offering the islanders self-government.

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The last date for inscribing an item on the agenda of the Assembly of the United Nations is August 22nd. The Greek Foreign Office has this week announced that it intends to take the step. It is still uncertain whether Greece will raise the issue on the score of Britain's refusal to talk, or whether on that of the island's right to self-determination, or both, but whatever its complaint, certain results can be predicted. One is that there will occur a public spectacle of dissension within Nato that will be highly pleasing to the Soviet Union. Another is that, however eloquently Britain asserts legal title and Turkey proclaims minority rights, Greece can count on a majority of American, Asian and African delegates to condemn Britain for denying freedom of political choice, or else on some peacemaker to hurry to the rostrum with a resolution that will gain unanimous assent—one calling for direct talks between the parties. If the last is an unavoidable outcome, how much better for the talkers to meet now and voluntarily instead of after a storm and under pressure.

But if they are to meet now, what is there to talk about ?

The importance that the British attach to their impeccable legal right to sovereignty in Cyprus is greater than it was, for it has changed with the changing scene in the Eastern Mediterranean. In the forty years since the island became a British freehold in 1914, there have been moments at which statesmen in London were ready to think of ceding it to Greece, but a period of Russian expansion through exploitation of Communism and nationalism is not one of them. Today, the area of the Levant in which Greece, Turkey and Cyprus lie is, in terms of the only conceivable onslaught, a front-line zone that is thinly endowed with firm great-power commitments and bases. Seen from Moscow, it constitutes the soft way to Europe's vulnerable underbelly, not to mention the oilfields of the Middle East. In that area, there now remains only one foothold to which a major power holds unassailable title—Cyprus. From a strictly military point of view, Crete, with its splendid natural harbours, would make a better base than Cyprus. But experience at Abadan and at Suez has made the British Government chary of large investment in installations on alien soil. There is a heavy premium on full legal sovereignty.

Moreover, if Britain were to abandon sovereignty to Cyprus, what would it get in exchange ? It would win the goodwill of the Greek government, but governments change. It would get treaty access to bases in a Greek island, but nearby Egypt offers proof that treaties are impermanent ; the Cypriot Greek Communists openly proclaim their intent to rid their island of all military installations as soon as they can win themselves a chance to do so. Yet a third undesirable result would be the bad exchange of Greek animosity for Turkish mistrust. The alternatives are not worth the price that would be paid for them. There cannot, therefore, be any question of abandoning British sovereignty over the island. If there are to be any talks with the Greeks, that must be their basis.

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The Cyprus question has therefore reached the stage when it is clear that neither of the extreme solutions is possible. The attitude that the British Government has hitherto adopted—that Cyprus is a purely domestic question, with which no international body has a right to concern itself, and which will not even be discussed with any foreign government—can hardly be maintained any longer. It is an attitude that is certainly sound in law, and possibly in morals. But in this day and age it will not work. There is a sufficient volume of anticolonialism, and of general nosey-parkery, at large in the United Nations to make it untenable. Since we shall be pushed off it, wisdom would suggest that we should gracefully step down first.

On the other hand, to hold out the prospect that the British will some day leave Cyprus is equally impossible. For one thing it is by no means certain that the Greek Cypriots really wish to sever all connections with Britain ; the moral conflict with which they are racked is described in a special article on page 290. For another, to adopt any such policy would be to remove the essential political foundation of the Cyprus base before it is even laid. There can be no question of abandoning British sovereignty over Cyprus, either now or "some time." The fall of Abadan and Suez may make it difficult to convince the peoples of the Middle East that any such policy will be adhered to. The greater is the need for hammering home on every occasion the essential difference: at Abadan and Suez there was no sovereignty ; in Cyprus there is. The maintenance of that sovereignty, now and in the future, cannot therefore be even discussed.

Between the two extremes, however, there is a great deal that could be fruitfully talked over with the other interested governments. It is an undoubted weakness in the British regime that it has been unwilling—indeed, on the assumptions on which it has hitherto been proceeding, it has been unable—to recognise the unquestioned sincerity and intensity of the Greek Cypriots' longing for Greekness. On every other issue they are torn by faction but on this they are one. Their British rulers will have to recognise that *enosis* is a manifestation of emotional need for opportunity and outlets that the Cypriots do not believe they can get within their British nationality but could aspire to if they were Greek.

If there can be no question of satisfying these emotions by a transfer of sovereignty, statesmanship should try to find other outlets for them. It would be well worth while asking the Greek and Turkish Governments what practical suggestions they had to make, within the assumption of an undisturbed British sovereignty. Is it possible, for example, to remove the stigma of colonial status by installing Greek and Turkish Ministers Resident, vested with some share of responsibility for administration ? Is double citizenship, for all that the lawyers shake their heads over it, out of the question ?

One merit of agreeing to talk now would be to find out if Turkey or Greece have solutions to suggest. Another would be to manifest courtesy and attention to allies ; diplomacy is at fault when it fails to give friends adequate explanations. A third—the most important of all—would be to relieve London of some of the heavy responsibility of deciding what is for the best at this weak southern tip of Nato, and to place some of the onus where it should fall, which is upon Ankara and Athens. There is, indeed, a need for firmness. But it will be the easier to be firm on the essential issue that concerns the vital interests of Britain and the whole western world if there is a willingness to show elasticity of mind on other counts.

Notes of the Week

Without Dishonour

RETURNING in quiet triumph from Geneva, M. Mendès-France is justified in asking the Assembly to grant him not merely a new lease of office but a peacemaker's laurels. He did not come to power to seek military victory in Indo-China, and he can rightly disclaim all responsibility for the fatal situation he had inherited. He merely promised, on taking office, to extricate France from this long-drawn conflict, costly and distasteful, distant yet dangerous; and he has managed to get a settlement within the dramatically short time-limit he had set himself. No critic can fairly blame him for the loss of Hanoi and Haiphong; granted the military situation, M. Mendès-France has deserved his laurels.

Indeed, most people in Paris view the terms as exceptionally good in the circumstances, and there is a certain surprise that Mr Molotov did not stiffen them at the last moment after the French premier had been embraced by the Americans. It is remarked that, with Mr Eden's help, M. Mendès-France has accomplished the extraordinary feat of satisfying Mr Dulles without incurring Mr Molotov's wrath. Time will show which of the two will have cause to regret having helped, or not having obstructed, the French premier in his dramatic bid against time and odds. Frenchmen, however, were chiefly impressed by the sight of their representative playing first fiddle on the international stage and by his Disraelian ultimatum after his predecessor's months of dallying. The Mendès-France technique has caught the public fancy, and to many Frenchmen, war weary and fearful of new sacrifices, their premier now appears as something of a *deus ex machina*.

Thus, having laid his foundation stone at Geneva, he can now begin to build his new edifice for France; but he can do so only with the parliamentary bricks at his disposal, and these have the familiar characteristic of not holding together. How can he evolve economic plans which will cement the socialist and conservative elements of his majority, or a foreign policy which will reconcile the "Europeans" and the nationalists? In Geneva the premier showed a capacity for boldness. Will he face the next items on his agenda in the same spirit, at the risk of finding his parliamentary bricks crumbling beneath him, or will he progressively revert to the now traditional pattern of patching up, which leads through compromise and concession to immobility?

Still Against the Clock

THE economic debate, which stands next on the French agenda, should provide an immediate opportunity to test M. Mendès-France's political courage. Himself an economist, he had spoken and written much on this subject while in opposition. He had deplored the lack of competition in the French economy which leads to the "survival of the unfit." At the same time he had argued that private investment was insufficient and that there must be more public financing in the basic sectors of the economy (part of it was originally to come from a cut in "unproductive," that is, defence expenditure, but any saving in Indo-China may well be balanced by a cut in American aid). In general, he claimed that the patient could not be cured without major operations, and he advocated the bold use of a scalpel. How ruthless will the surgeon prove in office?

France's economic conjuncture is quite a suitable one for the launching of "structural reforms." Industrial production has picked up after last year's stagnation. There are many signs of a general recovery: the balance of payments has improved, chiefly thanks to better terms of trade; the agricultural outlook seems good, and the budgetary position better than expected. M. Mendès-France could take advantage of this favourable economic climate and of his own greatly strengthened prestige to embark on a bold, long-term economic drive. He may, however, think it politically more convenient, with the motley coalition at his disposal, to leave the well, or rather the superficially well, alone and introduce only slight changes into M. Faure's treatment.

There is, however, another emergency to which the French premier will have to turn his attention immediately. The Indo-Chinese leak has been stopped, but there are other cracks in the French Union and other desperate calls for salvage. Little time, if any, is left if North Africans are to be prevented from following in Indo-Chinese footsteps. The friends of M. Mendès-France hope that he will waste none in producing a coherent policy of reforms, without which there is no chance, to use his own words, to "resume the dialogue" across the Mediterranean. The race against the clock is still on, and the French premier will be allowed scarcely any respite after his brilliant performance at Geneva.

Agenda for Fratricides

TRANSPORT HOUSE is beginning to echo to the sound of knives being sharpened for the Labour party's annual conference at the end of September. The preliminary agenda for this annual exercise in fratricide contains 433 resolutions; by implication, and often directly, many of these are as critical of Labour's official leadership as they are of the Tory Government. "German rearmament," of course, has provoked the most open hostility to Mr Attlee; of 58 resolutions on the subject, only one supports him.

But on many other issues, both foreign and domestic, the resolutions from the constituency parties, and from a few left-wing unions, reveal the familiar mixture of fatuity and dogmatic blindness that has been paralysing Labour policy for the past three or four years.

This preliminary agenda is recognised as a necessary safety valve, providing an innocuous outlet for the wilder fancies of the rank and file. The resolutions are in due course passed through a sieve to produce a handful of "composites" ("compromises" would be a better word) on which most of the conference debates actually take place. But Mr Attlee must be dismayed to find his party in so unconstructive a mood when preparing for what may well be its last conference before the election. He must, in particular, be alarmed by the gulf that seems to lie between the Parliamentary party and the constituencies. This reveals itself in many resolutions calling vaguely for stronger policies, and in a few that call precisely for improvements in propaganda and organisation. It can also be seen in the lack of interest that the constituencies have shown in the issues on which the Parliamentary party has fought most strongly. There are only eight resolutions on rents, seven on education, eight on the cost of living and a mere two on commercial TV—this last must be a shattering disappointment to Mr Morrison, whose campaign could not have fallen more flat.

The resolutions on economic themes follow a familiar pattern of sectional interest. The railwaymen's union wants Labour to commit itself either to taking over the capital charges of the railway or else to giving them a "block grant." The farm workers fulminate against the removal, by the departing Sir Thomas Dugdale, of a few of the feathers from their industry's bed. There are also the usual demands for more nationalisation. Mr Bevan and Sir Hartley Shawcross gave a preview of this argument last weekend, when the former jeered at "consolidation" and the latter scorned the "long haired" nationalisers. But even Mr Bevan would presumably flinch at the ideas of Mr Harold Wilson's constituents, who have tabled a resolution calling for the nationalisation of all commerce and industry, without compensation and with complete workers' control. Those who pay undue attention to the "trend of opinion" in Labour's constituency parties should remind themselves from time to time of what a very narrow band of cranks some of these parties consist.

It Would Not Happen

WHEN *Tribune* announced last week that Mr Bevan and five of his principal supporters in Parliament had written a pamphlet on the "alternative to German rearmament," it was assumed that they might be proposing to make a serious bid for the leadership of the whole anti-EDC lobby, which includes many of the Labour party's "middle-of-the-road" men. The pamphlet that has now appeared—under the title of "It Need Not Happen"*—should dispel this assumption. It is not so much a pamphlet as a patchwork—made up out of Mr Bevan's pet theme of overseas development, Mr Wilson's personal bug about East-West trade, Mr Crossman's about the H-bomb, some stock platitudes about general disarmament, about Indo-China, Guatemala, British Guiana and almost every other issue that has appeared in the foreign news. And it quite clearly is not drawn up to attract any middle-of-the-roaders; indeed it may shock even some people on the very far left.

The Bevanites' solution to the German problem would be touchingly naïve if it did not come from such clever people. They propose that Germany should be forbidden to rearm, at least for ten years, but should be unified and should then contribute all the money it would have spent on defence to a World Mutual Aid plan for developing backward areas. It is recognised that this development plan would require great self-sacrifice from other countries, particularly the United States, but "there is a great capacity for idealism in the American people." For the problem of uniting Germany, the Bevanites have a simple answer: the Russians will agree if only the West will not insist on a united Germany being free to join Nato.

Might the Germans be a little restless at not being allowed to rearm? The Bevanites have an answer to this, too. There must be general, if gradual, disarmament. This, they feel, could be started quite easily. The West should renounce the strategy of "instant massive retaliation"; the Russians should then be invited to follow this example and to sign a convention outlawing thermo-nuclear weapons. "That would be a real contribution to the easing of the tension in Europe and to a negotiated settlement of the German problem," the Bevanites declare. At least "It Need Not Happen" should have served one useful purpose. It should have convinced the ordinary Labour voter that a Bevanite Government must not happen, if his party is not to become an international laughing stock.

* "It Need Not Happen." By Aneurin Bevan, Barbara Castle, Richard Crossman, Tom Driberg, Ian Mikardo, and Harold Wilson. A *Tribune* Pamphlet. 1s.

Mr Do Resigns

THOUGH M. Mendès-France did not after all resign, his colleague, Mr Do, the Vietnamese Foreign Minister, did. The significance of this fact can very easily be overlooked in the general relief and indeed rejoicing over the cease-fire in Indo-China. On the last hectic day at Geneva, Mr Do tried to hold up the rush for peace, if only for a moment or two, by asking that his protest be recorded against both the terms of the agreement and the manner in which it was concluded. Vietnam, he said, still objected to partition, and he himself had "failed in his mission."

Surprisingly, there has lately emerged in Vietnam both a new spirit of resistance to Communism and a new government to give expression to it. In terms of world politics, these developments have come too late to affect the issue of the eight years' war. But they may yet come to have a considerable effect on the peace and on the proposed Vietnamese elections in two years' time. Earlier this month, Mr Ngo Dinh Diem accepted office as prime minister in Saigon, after having refused it throughout the period of French rule and of the "Bao Dai experiment." He is a figure with considerable national prestige, based on his unswerving determination to reject anything other than complete independence for his country.

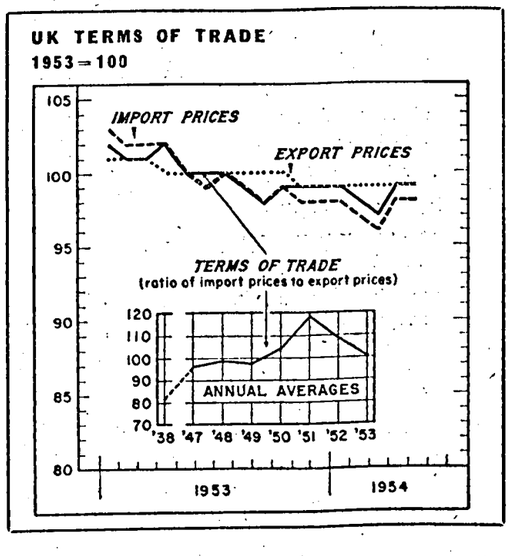
Two lessons may be drawn from Mr Diem's emergence at this moment. One is that so long as the shadow of French colonialism lay across the scene, the Vietnamese could never bring themselves to go all out in their fight against the Viet Minh. Now, instead of the political struggle being over, it may only be beginning. The converse of the same theme is that the mood of Asia demands that the great powers, having set up a non-Communist nationalist state, must give its leaders their head. Intransigence of the Syngman Rhee variety does not set a particularly good precedent. But there is some hope that Mr Diem may yet prove just as tough an opponent of Communism, and as a democrat rather than as a reactionary or a totalitarian.

Crossed Wires in the Balkans

THE postponement, at Turkey's request, of the signing of the tripartite Balkan military pact has given rise to a fine spate of confused comment in Athens, Ankara and Belgrade which has done little to clear the air. The three governments issued a joint communiqué saying that the conference had been postponed because the necessary preparations could not be completed in time; but the Greeks and the Jugoslavs have clearly been as much in the dark as anyone about the real reasons for Ankara's request.

The Turks have put it down to Mr Menderes's illness; but this, like all diplomatic illnesses, arouses scepticism. Nor is it very convincing to plead difficulties over the exact obligations to be assumed under the treaty. The signature of a pact of mutual assistance is, of course, complicated by the possibility that Greece and Turkey, through their obligations under Nato, might be involved in a war outside the Balkan area with which Jugoslavia was not directly concerned. But the fact that Greece and Turkey belong to Nato, while Jugoslavia does not, has all along been a major obstruction to the conclusion of a Balkan military pact; and it is unlikely that the three governments would have talked and behaved as if the treaty were in the bag if they had not got round this obstacle. If this is the correct explanation, there must have been either misunderstandings, stupidity, or last minute changes of heart. In any case the difficulty, if it exists, is more apparent than real, since it is unlikely that the Jugoslavs would in fact consider it either possible or expedient to wash their hands of any conflagration started by Soviet aggression in Europe.

The Jugoslavs take the view that the postponement has something to do with Trieste, and there is probably a good deal in what they say. Of course a Trieste settlement is most important; and of course it would be a pity to do anything that might make it more difficult for the Italian government to accept a solution that can hardly be popular in Italy. But Balkan military co-operation is also important; and it is equally a pity to do anything to jeopardise its future. Field Marshal Papagos and Marshal Tito have behaved with restraint and good sense, but Balkan friendship is still a delicate plant; it cannot be expected to grow and prosper if it has to live for long in the present atmosphere of doubt and confusion.



The Stokers' Strike

THE three hundred coke oven stokers of Port Talbot went back to full working this week, after an unofficial strike that had paralysed the largest steel-strip producing plant in Europe for a fortnight, that had already thrown 3,000 men out of work, and that had threatened much wider disturbance in many steel-using industries. The most revealing aspect of this strike is that the men were not only taking protest action against their employers. They were also—indeed mainly—intent upon persuading their union, the British Iron and Steel Trades confederation, that it had allotted them too low a status within the workers' hierarchy; when bargaining with the employers about a new wage structure it had been disposed to agree that the wages of coke oven workers should be below those of men with no greater skill and with much more pleasant conditions of work.

It is not surprising that men with grimy and heavy work of this sort should demand increased differentials; indeed it is more surprising that, after fifteen years of full employment, anybody can be found who is willing to stoke coke ovens at all. But it is a disturbing thought that a strike may now be considered the only way in which rank and file union members can show their own leaders that they are in earnest about a claim that they should be moved up higher within their own hierarchy.

Buffers to Lodging Turns

AT its annual conference last week the National Union of Railwaymen recommitted itself to accept a limited increase in the number of lodging turns, and thereby to

ct its side of the bargain to increase efficiency on the ays. Although the other major railway union, the ciated Society of Locomotive Engineers and Firemen, ll pledged to try to work towards the abolition of lodging s altogether, there is now some reason to hope that this —which at one time threatened a major railway crisis— een quietly settled for the current year, and without

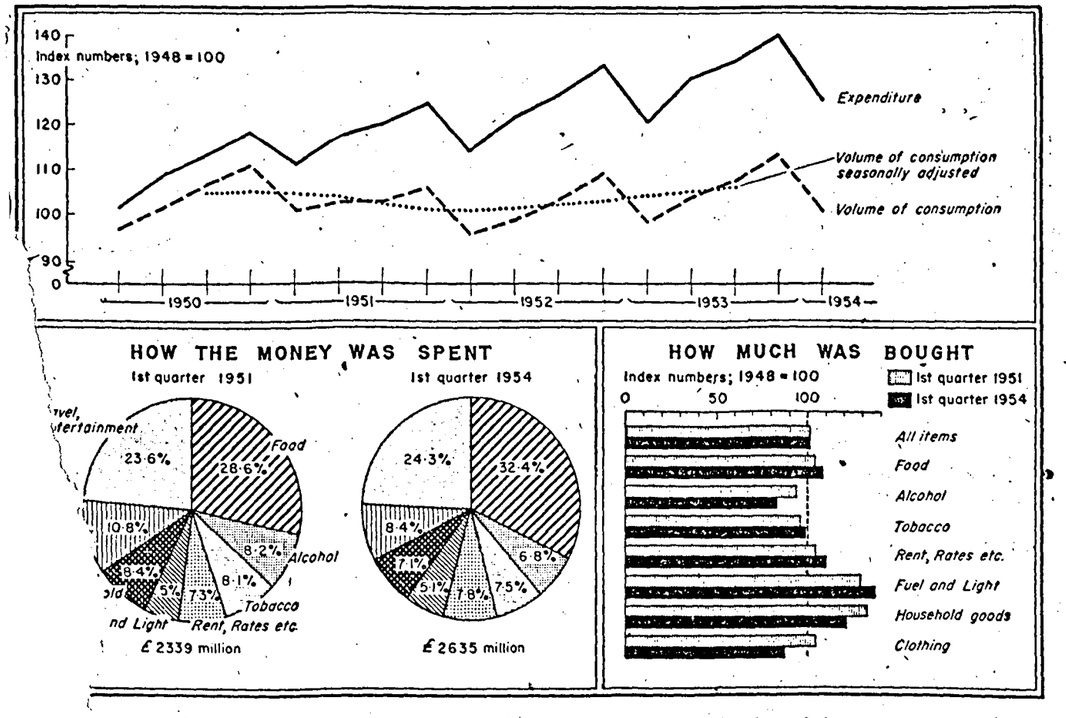
ll be remembered that the original unofficial protest against increased lodging turns in the Western Region were called off when the executive of the ASLEF instructed by its members to oppose all lodging turns in the future. Later, the token Sunday strikes, which were threatened by footplate men of the Eastern and North Eastern regions against their share of the increase in lodging turns during the latter half of June, also fizzled out; the militant "all-line action committee" held a meeting at York but confined itself to a mild adjuration to union officials to press for the abolition of lodging turns through negotiation. The militants did, however, reserve their right to further action if the negotiations were unduly protracted.

The half-hearted confrontation between the union officials and the Transport Commission took place on June 30th. The Commission naturally turned down the union's suggestion that lodging turns should be abolished, and the NUR representatives added their dose of cold water. No day was fixed for any further discussions. Meanwhile the 72 new lodging turns, introduced as part of the summer service, are being worked. One possible solvent for the future—or else a loophole for a new kind of trouble—was provided in the resolution passed by the NUR last week. This declared that men in the depots should have the chance to examine any proposed new turns, and to submit alternative proposals if they wished.

Wrong Plan for Refugees?

AT the Economic and Social Council's summer session last week, the UN High Commissioner for Refugees gained a nominal majority for his $12 million scheme to

Higher Personal Spending



volume of consumption in Britain is now again as great as it was at the time of the so-called post-Korean g spree. Personal spending reached £2,635 million during the first three months of 1954. This first quarter year is always a period during which retail sales are at a seasonal low point; but this year's figure was best for any first quarter since these statistics have been published. Even when allowance is made for the in prices, the figure was fractionally (by £1 million, in terms of constant 1948 prices) above the previous for this season, which was set at the beginning of 1951. Compared with that earlier period, the public spent less on clothing and household goods, but more on food.

speed up the final settlement of the 350,000 refugees—including 88,000 still in camps—who are under his care. But the United States and Britain, whose support the High Commissioner must have if he is to carry through a scheme of this magnitude, abstained from voting. The American delegate asked for a clarification of certain aspects of the scheme, but his colleague's criticisms were more radical. The British view is that the refugees remaining when the International Refugee Organisation was wound up were to be integrated in the countries where they had found asylum, and that the High Commissioner, as the IRO's residuary legatee, should therefore concentrate on his legal and protective functions.

To this the High Commissioner replies that only in Germany was there a formal transfer of responsibility; the situation in the other countries varies from that in Austria, where the government is making considerable efforts to assimilate its refugee population, to Greece, whose government is making little or none. And in all the countries concerned most refugees are denied economic and social rights—notably the right to work—to which they are entitled under international agreement. The High Commissioner's new scheme is therefore broadly intended to do for the refugees what the countries of asylum maintain they have no means to do: it does not guarantee a solution, but is merely intended to stimulate further efforts towards one.

For the majority of the 260,000 refugees who are already partially or wholly absorbed into their countries of asylum the main need is work, and work can only be provided by the countries concerned. Four-fifths of them are *Volksdeutsche* expelled from the Danubian countries and now living in Austria. It seems likely that more could be done by the countries directly concerned—and in the case of the *Volksdeutsche*, aid might be expected from Western Germany—before recourse is had to the United Nations.

The 88,000 refugees who are still in camps, many of them for the eighth year running, are a different matter. On grounds of common sense alone they should be resettled before they are quite incapable of fending for themselves or come to feel that idleness in semi-captivity is the natural order of things. A more limited, practical programme of this kind should command the support of wavering governments and actually result in clearing a high proportion of these refugees off the books. Perhaps the High Commissioner will think again before his proposals are considered by the Assembly in the autumn.

Japan's Trade Unions Meet

THIS week the annual convention of the biggest of the Japanese trade union organisations, Sohyo, has been a reminder that there is a back door through which Communist influence could spread fairly rapidly in Japan if conditions were ripe for it. The Chinese have pressed their "heartfelt congratulations" on Sohyo, saying that "it is the ardent desire of the Chinese trade unions that, with each passing day, the Japanese working class will unite closer, Japan's friendship with China grow, and the two peoples co-operate as friends." Since the war there has been a considerable growth of trade union activity in Japan, and more than h the six million organised workers now belong to Sohyo. T next biggest organisation is the more right-wing Zen which was formed out of two dissident groups last year, a there is a very small purely Communist body.

The Japanese trade unions are important because spite of temporary setbacks, their power is growing because they represent potential vehicles for Comm propaganda. Nowhere has the worker stood in g need of an organisation to protect his interests than in J But it is essential that the development of such an orga tion should be as free as possible of political influence, it is not to be used for dangerous purposes. As things stand, the omens are none too good. Although Sohyo is not under direct Communist control, it has been drifting towards the extreme left, and its secretary-general, Mr Minoru Takano, represents the more extreme of the two main factions fighting for leadership. At this week's convention Mr Takano has been re-elected for another year, against the substantial opposition of Mr Ota's group. Mr Takano favoured what he called the political approach to labour problems and Mr Ota a primarily "economic struggle."

At the last general election Sohyo put up most of the funds for the left-wing Socialists. There now appears to be some disagreement, however, between the party and the organisation, and the party apparently supported Mr Ota at the convention. Attempts to identify the precise political colouring of Sohyo are further confused by its international relationship with the anti-Communist ICFTU and the Communist WFTU. It has hitherto rejected affiliation with either, but is now understood to support the ICFTU. If Japan's economic position were to deteriorate, clashes between employers and labour would grow both in number and bitterness. At present the Communists by no means control the trade unions, but attacks on labour's position through the stiffening of labour legislation, particularly by a right-wing government, seem bound to play into their hands.

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Indonesia's Yen Gap

A STORM is brewing in Japan's trade relations with Indonesia. The Japanese Ministry of Trade and Industry (MITI) has taken the drastic step of suspending the further acceptance of Indonesian textile orders. As this market has defaulted on more than 30 per cent of Japan's textile exports, the decision is bound to have serious consequences for the textile industry; but the state of Indonesia's adverse balance in its accounts left the Japanese government with no alternative. Trade debts totalling some $160 million are outstanding.

Behind these troubles lurks the old question of reparations. All the countries in South East Asia formerly occupied by Japan have outstanding claims for compensation running into many millions of pounds; indeed, it has been a matter of national prestige to make the highest bid. Not unnaturally the Japanese have tried to make the best of a bad job by offering payment in services, such as salvaging sunken ships, or building plants for the extraction of ores, in both cases with a view to serving the needs of Japanese industry. But periodic attempts to get a final settlement have failed. There is little prospect of an agreement with Indonesia, and the Japanese fear that the authorities in Djakarta plan to offset their reparation claim against the trade debts due to Japan. The fact that the Indonesians have asked for a postponement of the amortisation payment scheduled for July 1st has caused alarm in Tokyo.

The Japanese motive in seeking to clear the reparation question is not simply a matter of wiping the war-time slate clean. They see the possibility of improved trade relations as well as a chance of bettering Japan's political status, since all the countries still claiming reparations have so far withheld their accession to the San Francisco peace treaty. As it is the accepted policy of both Britain and the United States to bring Japan back into international political and economic relations, they have an interest in seeing Japan's relations with its non-Communist neighbours improved.

Gatwick's Grievance

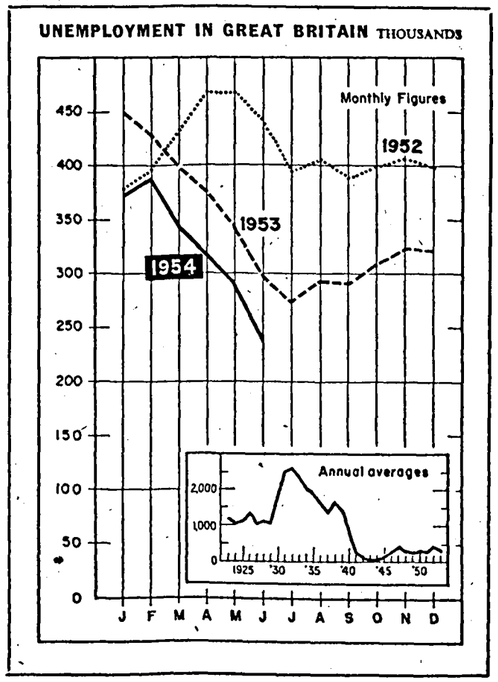
HARD on the heels of the Crichel Down affair has come another sharp rebuke to a Government department by an independent investigator. The occasion is the report of Sir Colin Campbell's inquiry into objections to the development of Gatwick airport (Cmd. 9215. 2s.). The offender this time was the Ministry of Civil Aviation. In 1946 and 1947, and again in 1949, the Ministry gave "solemn assurances" that Gatwick would not be developed as a major airport. In 1952 this policy was reversed, and it was decided to develop Gatwick as an alternate to London airport. The unexpected volume of local opposition was the cause of Sir Colin's inquiry.

The Ministry's reversal of policy can to some extent be justified by altered circumstances, such as the impact of rearmament and the growth of air traffic. But its timing and procedure were extremely inept. The Ministry abetted the creation of a new town at Crawley, as well as private development in the vicinity, which would never have taken place if the airport proposal had been foreseen. It ignored the agreed procedure of consultation with local planning authorities and other interests; and Sir Colin finds that the resentment felt on this score by Surrey County Council and the other local authorities is fully justified. He also thinks that special consideration should be given to private interests that were misled by Government assurances.

These criticisms do not mean that the decision to develop Gatwick as a major airport should now necessarily be abandoned. Sir Colin considers that the Ministry has demonstrated the suitability of Gatwick for its particular needs; but the question whether there might be equally suitable alternative sites was excluded from his inquiry. It is clear, however, that on town planning grounds the scheme is undesirable, and that the nuisance from noise may be considerable. Whether these objections outweigh the aeronautic drawbacks of other sites is a matter that the authorities should in fairness carefully reconsider.

Main Road in Buganda

NEARLY a month ago, Sir Keith Hancock bluntly told the Great Lukiko of Buganda that in its relations with the Protectorate, and to some extent in its internal affairs, the tribe had lost the main road; it was on a side path



which led nowhere. Sir Keith is now engaged in private discussions with a committee of the Lukiko, which has been strengthened by the co-optation of two Saza (administrative) chiefs, and has been brought up to full complement by the arrival from America of Dr Kalibala, whose appointment to the committee was at first questioned by the Governor. The Uganda National Congress's ill-intentioned boycott of goods has now nearly been broken by the government; as a result the meetings are being held in an atmosphere that is cheerless but calm.

The talks are theoretically about constitutional adjustments, but the exiled Kabaka is not allowed to travel far from anyone's thoughts. As the Baganda find themselves increasingly involved in the outside world this symbol of tribal unity has become their constant preoccupation; and the difficulties now under discussion concern not only Mutesa as a man but the Kabakaship as an institution. No doubt some formula can be found to straighten out the relationship between the Kabaka—whoever he may be—and his increasingly democratic tribe. But the relationship between the tribe and the protectorate—one day presumably to be sovereign, with a black Prime Minister, as on the Gold Coast—eludes any easy solution. How, the Baganda say, can anyone who is their Kabaka ever be asked to take orders from another black man?

There is a third unresolved constitutional relationship which is not on Sir Keith's agenda. British politicians no longer dare to talk of East African federation after the explosive results of Mr Lyttelton's *gaffe* last autumn, and the Uganda people have had the most explicit assurance that there will be no federation unless they want it. Yet it is a fact that East Africa already has a customs union, common railways, and common postal services. The three territories will go forward hand in hand. It is Uganda's challenge, and East Africa's hope, that a *modus vivendi* between black and white will eventually be reached in this potentially prosperous part of the world. But one of the many prerequisites before that goal can be reached is that the black leaders of Uganda should gain the respect of the world by showing that they are capable of running their own show.

Preventing Polio

So far there is no evidence of a serious outbreak of poliomyelitis this year; but the seasonal rise in the number of cases has begun, and the peak is not likely to be reached for another two months. At any time, Britain may suddenly find itself in the middle of an epidemic like those of 1947 and 1949 or, even worse, as severe as that experienced by Denmark two years ago.

So calamitous can be the effects of this disease, and so widespread is the fear of it, that people frequently ask what precautions can be taken against it. Up to quite recently poliomyelitis, though known to be an infectious disease, was not regarded as preventable by the recognised methods of quarantine and isolation applied to, say, diphtheria. It was believed, and some authorities apparently still believe, that the polio virus—or rather viruses, since three distinct types have been identified—was ubiquitous, that many people are infected by it—and thereby obtain subsequent immunity—but that only a few develop the clinical manifestations of the disease. On this theory the isolation of the contacts of a patient in whom polio is clinically recognised is superfluous, since the virus has probably already been spread far and wide.

In contrast to this *laisser faire* attitude, other authorities believe that each of the three types of virus produces strains differing widely in their virulence. It is these virulent strains that cause the disease in anyone who has not previously been immunised by infection with a mild strain of the same type of virus. It is also held that, as Dr Bradley, of the Ministry of Health, has put it, the virus causing disease is not ubiquitous, but moves through "a narrow stream" of the population by contact from case to case. For this reason a new memorandum from the Ministry to medical officers of health emphasises that strict precautions should be taken by contacts of a polio case, particularly regarding personal hygiene. It does not suggest that adult contacts should normally be quarantined; but it does suggest that child contacts should be kept away from school and from other children for three weeks, and experimental quarantining is to take place in Taunton this summer which should yield valuable information on the epidemiology of the disease. In the meantime, the public will go on hoping that the research work on artificial immunising agents will soon bear fruit.

Morals and Commerce

Crimes seem to be epidemic like some diseases. On Thursday, at the Mansion house, Mr Joseph Windle Cole was brought before the Lord Mayor, in the custody of Daniel Forrester, upon the charge of having obtained £10,000 upon warrants representing goods which were not existence. The defendant, described as of the firm of Cole, Brothers, & Co., Birchin lane, was remanded. Thursday, too, brought us intelligence from New York, of an "unparalleled degree of excitement and anxiety in the stock and money market consequent upon the recent failure of Messrs R. and G. L. Schuyler, and the discovery of a false issue of railroad stock by the senior partner. . . ." Of late we have had several unpleasant matters of a similar description amongst ourselves, and they have been referred to the pressure in the money market. Without assigning them to it as the cause, remembering how often several crimes of the same or similar kind have happened about the same time, we must say there is something more mysterious and more inscrutable in crime than hasty men, impatient of doubt, assume, concluding that it can be suppressed by the will and the exertion of the Legislature. Into the obscure subject, rich causes of crime, particularly crimes against property, whter, are now the plague of society, we do not mean to ep its but the love we bear to trade makes us jealous o ould reputation. Existing by confidence and credit, it sh hose be above all suspicion. It cannot thrive unless tion engaged in it are of strict integrity. No informtical which can be given to it by the best-informed poli ser- economists, or travellers, or naturalists, can be half so les viceable to trade as the recommendation of those princi ed of high morality which are sometimes and falsely supp to have no part in its dealings.

The Economist

July 22, 1854

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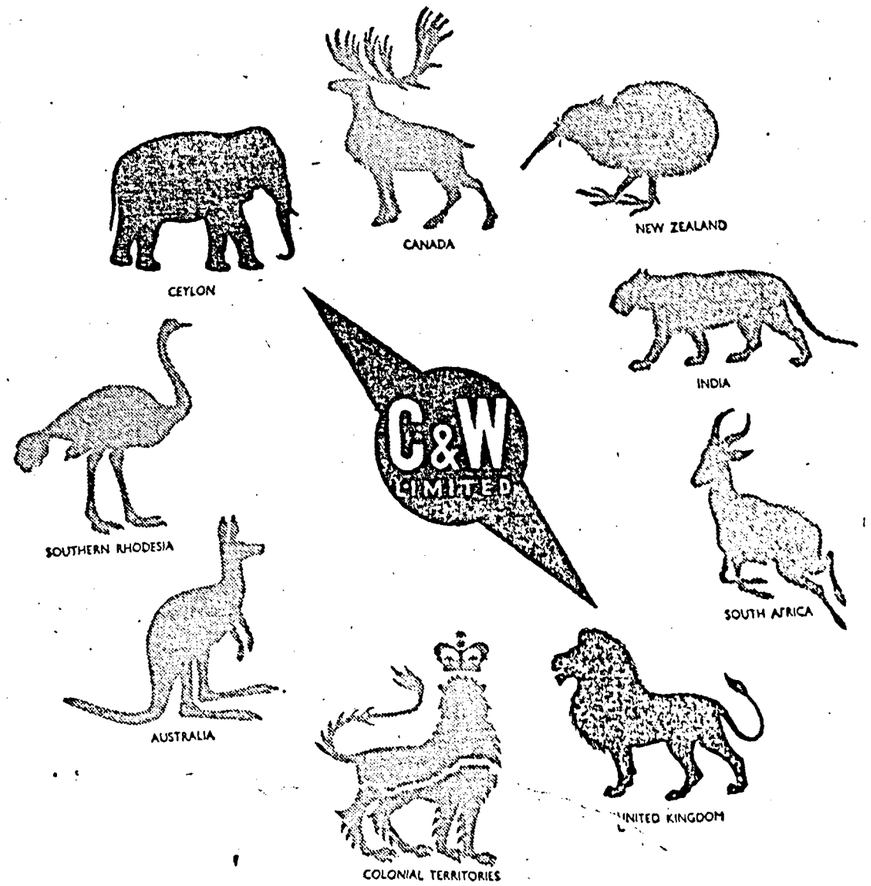
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Books & Publications

The Historical Vocation

THE HISTORIAN'S CRAFT.
By Marc Bloch. Translated from the French by Peter Putnam.
Manchester University Press.
218 pages. 12s. 6d.

MARC BLOCH was one of the most original and influential of French historians between the wars. For him, the object of historical research was to reconstruct a "total social situation"; specialised study was subordinate to this, and non-documentary sources could be more important than documents. With Lucien Febvre he founded the review *Annales d'histoire économique et sociale*; together they presided over a new generation of young historians as Seignobos had presided over theirs; and Bloch's canonisation among scholars was completed by his heroic death at German hands in 1944 for his Resistance activities. In Vichy France, exiled as a Jew from his chair at the Sorbonne, he wrote his last book, *Métier d'Historien*, of which this is a sensitive and distinguished American translation.

It is his account of the vocation and techniques of the historian, "the memorandum of a craftsman who has always liked to reflect over his daily task." He rejected a hard definition of history, since all growing sciences contradict the limits and methodologies laid down for them, and often find their "most successful craftsmen among the refugees from neighbouring areas." The appearance of the human element in any field of study marks it as historical subject-matter. History is the science of men in time. It is the study of human traces, whether documents, works of art, tools, stones, ruins, changes in the landscape, languages or customs; and it involves the historian in a range of ancillary disciplines as wide as the diversity of the evidence.

His historical criticism is the cross-examination of these traces, above all for information they were not intended to give. But its scope is in general confined to establishing antecedent causes in the historical process; it does not affect the fundamental structure of the past. "Taken separately, there is scarcely a word in our modern version of *Oresteia* which we may be certain of reading as Aeschylus wrote it. In its entirety, however, we need have no misgivings that our *Oresteia* is really that of Aeschylus. There is more certainty in the whole than in its parts." And criticism begins with the rational use of doubt as an instrument of knowledge, its final goal is understanding. It excludes judgment, and distrusts both "the idol of origins" and "the fetish of the single cause" as insidious forms of attributing blame. In the last analysis, historical facts are psychological facts; it is human consciousness that is the subject-matter of history. History is the science of man *par excellence*.

Thus much is perhaps the contemporary historiographical orthodoxy, and may be partially found in the writings of Collingwood and Butterfield and in Namier's consummate essay in "Avenues of History." What is it that distinguishes Bloch's statement of it beyond these? First, his range of reference. He sees historical study in relation to modern physics and mathematical theory and psychology; in a crucial chapter he discusses the point at which historical criticism "intersects the royal highway of the theory of probabilities." A medievalist and economic historian, he illustrates his argument from archaeology, egyptology, classical philology, Biblical criticism, linguistics, hagiography, the geology of the Flemish coast-line, the beliefs of Montaigne, the lies in Marbot's Memoirs, the February Days, the sociology of rumour in the trenches in the First World War. "The only true history, which can advance only through mutual aid, is universal history." It follows that history deals with the living as well as the dead, and the study of contemporary history differs from that of the remote past only in degree.

The second distinguishing feature of Bloch's statement is his treatment of the personal, that is to say, the aesthetic element in historiography. Unlike other sciences, history takes its imprecise vocabulary ("century," "freedom," "serfdom," "Renaissance," "capitalism") from its own subject-matter. To describe the delicate phenomena of human action, every historian uses to some extent a private language; his individuality is reflected in his choice of words, and he paints the past with the colours of his own experience. Unlike most historians, Bloch saw his own historical conditioning. "It is not inconceivable that our civilisation may, one day, turn away from history, and historians would do well to reflect upon this possibility."

The book begins with a question put by his son: "Daddy, what's the use of history?" Does Bloch answer it? He distinguishes between the intellectual legitimacy of history, as an intrinsically fascinating study that gives a rational classification and a progressive intelligibility of human affairs, and a more pragmatic sense of the word "use." Under the first head, he does not offer a "meaning" or "pattern" in history. That historical whole which is more certain than its parts remains undefined. The universal history he advocates is universal less in terms of the coherence of the entire human drama than of the coherence of every separate human situation. It means "civilisation" not in Toynbee's sense but in Febvre's. "To understand the attitude of the medieval vassal to his seigneur you must inform yourself about his attitude toward his God." Under the more pragmatic head, he asserts that pure knowledge is not divorced from action, and historical criticism has pioneered for mankind a new path to truth and therefore to justice.

One of his liveliest passages is in praise of the goddess Catastrophe, who helps historians by breaking open secret archives. We can add that she also compels them to write books they might not otherwise have written (Pirenne's "History of Europe" and Perroy's "Hundred Years War" are other examples) and to address a wider audience than their colleagues. If she took Bloch's life, she had first elicited from him this testament, which not only may prove to be the most influential writing of a great humanist, but is also the best explanation yet written of why, in the last century, history has become, and has deserved to become, the queen of the sciences.

Rich Traveller

THE FOUR CONTINENTS.
By Osbert Sitwell.
Macmillan. 290 pages. 25s.

SO richly is Sir Osbert Sitwell gifted as a mental traveller that had he never stirred from Renishaw he might yet have carried us enthralled on the far-ranging voyages of his fantasy. Fortunately his actual journeyings have also been extensive and unstereotyped, so that he can widen the horizons of our knowledge as well as stimulate our imagination.

He says that he toyed with the notion of entitling this book "The Four Elements," and he has indeed devoted a chapter to each of the four. This indicates the scope of the book, far more ambitious than an orthodox volume of traveller's reminiscences. Its method is deliberately discursive, its structure cunningly contrived. Amalfi, where the book was conceived, is never forsaken for long, although we are borne off to Florida, to the interstellar spaces, to Guatemala, to the Great Wall of China.

Sir Osbert draws on the memories of some forty years of voyaging, and readers of his earlier travel books will sometimes find themselves in places which they have already visited in his company; not that there is anything to deplore in this. Of his recent impressions, those concerned with postwar America are particularly interesting. It is heartening to find someone so sensitive to the harmonies of ancient civilisations able to respond with such warm appreciation to the transatlantic scene. Not

all his readers will share his belief that over the last twenty years "the American people have grown up, and attained to a full sense of the world responsibilities that their position and still more their power imposes on them"; but nobody with a spark of imagination will read unmoved his description of New York, which he presents as "a metropolis of dreams realised and unrealised."

As always, to balance his power of lyrical description, Sir Osbert has an infallible eye and ear for comedy, whether provided by human beings, animals or inanimate objects. In the last category may be mentioned the fashionable hats from Polynesia exhibited in the Bowes Museum; in the first, Euphrosyne the Jamaican maid in the Panama hotel, the sprightly Amalfitani paper-hangers and painters, and Sir George Sitwell himself; and among the animals, the circus elephants who staged a sit-down strike rather than perform to the strains of a specially commissioned march by Stravinsky.

The Only Other General

THE LIFE OF LORD ROBERTS.
By David James.
Hollis and Carter. 526 pages. 30s.

SEVENTY years ago, when the Martini-Henry was thought by many to be the mere shaft for the bayonet, Wolseley was called Britain's only general and Roberts Britain's only other general. Both deserved their titles. They were not rivals; their careers and campaigns hardly touched. The Wolseley "ring," linked with the Liberals and supporting short service enlistment, and the Roberts "ring," associated with the Conservatives, defending long service and supporting the forward policy on the North West Frontier, were far more the creations of their staffs than of the men themselves. Wolseley made his career in Whitehall, Roberts his name in India.

The dust of the Indian cantonment lies heavy on the pages of Roberts's own interim autobiography, "Forty-One Years In India," and it is well that a full assessment of his achievements has now been made. Mr James has written a straightforward biography, with the occasional flourish of adulation, the occasional defensive argument and the occasional admission of fault. Rightly, he has devoted half his book to Roberts's career after he left India—to his campaigns in the field in South Africa, on the platform in the cause of compulsory military service and at the desk striving for an adequate general staff.

Roberts began his career, as many a Victorian general did, by winning the VC; he won it capturing a colour in the Indian Mutiny. In the Mutiny he quickly and thoroughly learnt the tasks of a junior staff officer. It left one odd scar on his memory. The drunken soldiers in the streets of Delhi gave him a horror of street fighting; hence he held back the impatient cavalry at the gates of Kabul. After two successful staff appointments in the Abyssinian and Lushai campaigns, he was given command of the Kurram Field Force in the second Afghan War. After two flanking attacks at Peiwar Kotal and Charasia (where he accepted the risk of fighting before the rearmost brigade had closed up) he found himself master of Kabul. He gave himself more credit for this brilliant little campaign than for the march from Kabul to Kandahar, which captured the imagination of the Victorian public. His appointment as Commander-in-Chief in India was the inevitable sequel.

His test came in South Africa. His flank march to Bloemfontein, avoiding the obvious line of advance, opened the way for the convergent drive on Pretoria. Strategically his conception was sound; tactically, his hand appears less sure, and for that reason he must accept part of the responsibility for the dragging months of guerilla fighting that followed the capture of Pretoria. Roberts, like all generals, is something more than the battles he fought. He was right in insisting on a higher standard of musketry, in forecasting the end of the shock tactics of the cavalry, in insisting that the welfare of the rank and file must be improved and, possibly, in arguing the case for compulsory service. He was wrong about long service and, on more than one occasion, in his reliance on his subordinates. The long halts in South Africa, through a lack of supplies, suggest bad staff arrangements; if Kitchener's tampering with the supply and service organisation built up by Buller was primarily responsible for these delays, then Roberts must take the blame for giving Kitchener too free a hand.

As a man, Roberts was very likeable; he had, to quote his protege, Sir Ian Hamilton, "a genius for popularity." Surrounded by incompetence, the competent professional Roberts flashed like a heliograph. But that did not make him a sun.

The American Nation

THE AMERICAN REVOLUTION, 1775-1783.
By John Richard Alden.
Hamish Hamilton. 312 pages. 30s.

WOODROW WILSON AND THE PROGRESSIVE ERA, 1910-1917.
By Arthur S. Link.
Hamish Hamilton. 348 pages. 30s.

THERE exists no more respected co-operative history of the United States than the 27-volume series launched at the turn of the century with the title of "The American Nation" and under the editorship of Albert Bushnell Hart. Written by scholars, but readable by laymen, the series presented the latest findings and assessments of American historians in a form which was convenient and agreeable. Unfortunately the restless spirit of inquiry and improvement of American historical scholarship has made the series out of date in little more than a generation. Consequently a "New American Nation" series has now been launched under the editorship of Mr Henry Commager (who needs little introduction on this side of the Atlantic) and Mr Richard B. Morris. Well printed, pleasantly illustrated and bound, the first two volumes should win a warm welcome in this country no less than in the United States.

It is appropriate that the new series should begin with a volume devoted to the struggle for independence. For those whose interest lies principally in the military struggles out of which the new nation emerged victorious, Professor Alden's book will be ideal; his military narratives are clear, sensible, fair and, at points, original. The editor's introduction, however, says that "the American Revolution . . . was a great 'creative movement." Those who wish to know in what this creativeness consisted, how it came into being and why it so often expressed itself in such misleading forms as the behaviour of the Continental Congress, will find Professor Alden less illuminating. His analysis loses sharpness and his pen seems to flag when he deserts the battlefield for the council chamber. But it must be said in fairness that his judgment is generally balanced and his narrative always lucid.

★

PROFESSOR LINK has taken time off from his life-size biography of Woodrow Wilson (of which only the first volume has so far appeared) to execute a smaller scale study of the years 1910 to 1917. Occasionally his wider interests have overloaded his canvas, as his crowded footnotes show, but they also lend freshness and authority to what must be considered the best history of its period that has yet appeared.

The portrait is not touched up. Now that all the secrets are exposed, all the private files open, the apostle of "the New Freedom" (in the main the Wilson of these years) is seen to have feet of clay as surely as the Wilson of world order. Professor Link shows with unsparing clarity how he disappointed his supporters by his lack of any "impelling passion for social justice," by his abandonment of trustbusting, by his backpedalling even on the tariff issue and by his Palmerstonian handling of Latin American relations. Worse still, by implication, is his belated reconversion to "progressivism" on the eve of the election campaign. The reader sometimes feels tempted to endorse the verdict of Garrison, Wilson's first Secretary of War, who described his chief as "a man of high ideals but no principle."

The Wilson of diplomacy, of Mexican intervention and of the years of uneasy neutrality, emerges as less illiberal figure, but only at the cost of appearing a more muddled and ambivalent one. The full, unhappy story of Wilson's Mexican policy, which pounded so oddly of missionary zeal, surrender to chauvinist pressure and mere diplomatic incompetence, provides the reader (as it ought to have provided European observers) for the tragic events that followed in the years 1919 and

(Incidentally it is a story which, by analogy, can also illuminate for modern readers much that is puzzling about American policy towards China at the present day.)

Then comes the transatlantic diplomacy of the "short of war" years. Here for the first time Professor Link seems to fail in his historical function, by not asking the right questions—or what to a European reader seem the right questions. A certain parochialism seems to limit his vision and leads him to treat the story of America's movement towards war in terms virtually identical with those used in the United States at the time. Consequently the American leap from State Department protests over neutral rights into national belligerency remains an unexplained jump from pacifism and moral indifference to the crusade for saving civilisation. In November, 1916, Wilson was prepared even to contemplate a war against the Allies. Five months later he was seeking to lead them to victory. Here, surely, there is a missing link.

Demographers' Domain

POPULATION.
By Ian Bowen.
Nisbet and *Cambridge University Press.* 271 pages. 10s. 6d.

OF late years the economists have been almost shouldered out of the field of population studies by the statisticians, the geographers, the nutritionists and the unclassifiable apocalyptics. It is all the more satisfactory that the Cambridge Series should have been strengthened by a handbook comprehensive enough to draw these disparate studies into a single perspective. Professor Bowen's preface strikes a refreshingly undogmatic note; a connection "probably" exists between economic development and population change, and his book is an attempt to "outline how the student of economics, or the general reader, might now approach the subject." He divides it into three sections; the first is factual, giving the reader a broad notion of demographic procedures and current data; the second is analytical, beginning with an account, at once sympathetic and destructive, of Malthusian theory and going on to discuss various notions of population equilibrium, static or moving, the demand for, and supply of, labour, and migration; the third is speculative, examining future possibilities for Great Britain and for the world as a whole.

The first section is admirable, by far the best introduction available to the demographers' curious domain. The second is evidently the result of a laborious effort of compression and presents the general reader, or economic student approaching the subject for the first time, with some formidably tough reading; its summary is, moreover, rather more than fair to the neo-Malthusians—though it may well be held that most of them have asked for it. The third steers a somewhat tortuous middle course between the alarmists and the complacent; the world, according to the evidence as Mr Bowen sees it, can perfectly well support a much larger population than at present, and there is no need whatever to assume that the present rate of increase will persist indefinitely; but the transitional period will put a severe strain on human ingenuity and political wisdom and will demand more deliberate international action than at present seems likely. What that action should be, in his view, is hinted at much earlier in the book, where he deprecates any diversion to the general purposes of civilisation of resources which could be used to feed a "starving margin" of over-rapid breeders. Mr Bowen is, however, strictly honest about his value judgments; and if he forces the reader to formulate his own judgments with equal honesty, that is all to the good.

The Social Life of the Bee

THE WORLD OF THE HONEYBEE.
By Colin G. Butler.
Collins. 240 pages. 21s.

MAN has been exploiting bees for several thousand years, but he has never succeeded in domesticating them. Although he has been able to provide artificial nest-sites, from which the honey can be extracted more easily—for two species of honey bee which happen to prefer to nest in cavities—attempts to breed strains particularly suitable for human convenience have been started only recently and achieved only limited success. To be exploited successfully, these wild animals have to be understood—no mean task, for the world they live in is very different from man's: it is a world of silence; smell and taste are their dominant senses; flowers have properties of colour, movement and perfume for them, but shape is relatively unimportant; red is not distinguished as a colour, in fact the honey bee can probably only distinguish yellow, blue-green, blue and ultra-violet. Yet with only this strange and limited sensory equipment, and a tiny nervous system, they achieve a high degree of social organisation and an amazingly varied adaptability to changing circumstances: swarming, the production of new queens, the gathering of the correct food substances, are regulated in accordance with the needs of the colony for maintenance and reproduction.

A colony of bees thus poses innumerable problems that are important both to apiarist and biologist. In suggesting answers to some of them Dr Butler has provided a fascinating volume in the "New Naturalist" series. Writing clearly but authoritatively on such diverse aspects as evolution, colony organisation, behaviour of individual and colony, distribution and taxonomy, he takes his reader through a maze of problems, demonstrating with satisfaction the little bits of knowledge gained so far, but relishing even more the work to be done.

The most challenging and difficult problem presented by the social insects is their method of communication—the biologically adaptive organisation of the colony must depend on the integration of the behaviour of individuals. Von Frisch's discovery of the part played by the dances of bees in passing on information about the whereabouts of food marked a signal advance in this field. Dr Butler's theory of the "queen substance" may prove to be of equal importance. He suggests that those workers near the queen obtain from her a special substance that is then passed from bee to bee round a large part of the colony. As long as a sufficient supply of this substance is circulating, the workers "know" that the queen is all right. If the supply falls off, however, preparations are started for the rearing of a new queen. This theory, which is well supported by experimental evidence, clarifies many hitherto inexplicable aspects of colony organisation.

The book is well illustrated and clearly written. It can be thoroughly recommended to all who are interested in the behaviour of animals in general as well as in that of bees themselves.

Shorter Notices

BRITAIN—AN OFFICIAL HANDBOOK.
Prepared by the Central Office of Information.
Her Majesty's Stationery Office. 341 pages. Cloth covers: 10s. Paper covers: 6s.

Designed to answer the sort of questions about Britain which are frequently asked overseas, previous editions of this official handbook have had a free distribution overseas: this new edition is the first to be made available on general sale at home. It is still intended primarily to serve the needs of the overseas reader, but, in giving a world's picture of Britain, it forms a valuable reference book for home users as well.

This is not a tourists' guide to Britain, telling visitors where to stay and what to see, but it provides a wealth of factual and statistical information about most aspects of British life. Climate, households, the use of the land, government, industry, the welfare state, transport, defence, press, religion—these are some of the subjects covered. Naturally this is not a book intended to be read from cover to cover in one sitting, but some of the background information such as the brief history of monarchy and parliament and of Britain's industrial development is easily readable.

All readers of a book of this type will feel there are some omissions. Some will be surprised not to be able to look up the heights of any mountains in the British Isles, the population of any town other than London, the standard rate of income tax, or the size of the national income. One small slip which this journal cannot overlook concerns its ownership. Lord Layton is incorrectly designated as chairman of Financial News, Ltd., instead of The Economist Newspaper, Ltd. But, all in all, this is a very good ten shillingsworth.

★

CALIFORNIA FARM ORGANISATIONS.
By Clarke A. Chambers.
University of California Press. (*Cambridge University Press*). 292 pages. 28s.

This is a study of the three major agricultural organisations of California—the State

Grange, the Farm Bureau Federation and the *Associated Farmers*—during the twelve years from economic depression to recovery. The author provides a detailed account of the membership, leadership, organisational structure and geographic location of the three agricultural groups; he emphasises their different and often contradictory attitudes and policies on such matters as labour relations, unemployment relief, taxation, water and power, and partisan politics. In California, as in most of the other states, where pressure politics is often a substitute for party politics, the political activities of such powerful groups as the organised farmers are of considerable interest and significance.

Books Received

POLITICAL HANDBOOK OF THE WORLD 1954. Edited by W. H. Mallory. New York: *Council on Foreign Relations*. London: *Royal Institute of International Affairs*. 231 pages. 30s.

Great efforts are made to keep this very useful handbook up to date, and if it has been overtaken by events in one or two respects, that is no fault of the compilers. It seeks to set out, clearly and briefly, the political structure, the party programmes and personalities, and the orientation of newspapers in each country. A few minor errors are to be expected in a work ranging from Argentina to Yemen, but a British reader may be pardoned if he blinks at "Mr Atlee" and "Mr Gaitskill."

PEARS CYCLOPAEDIA 1953/54. 992 pages. 12s. 6d.

A strong light or very good eyes are the necessary equipment for 1,000 pages of minute print. Otherwise the book is a valuable, but cheap, mine of information on every imaginable subject, ranging from a Who's Who, an atlas of the world, a dictionary, the principal part of Latin verbs, rules for conducting a meeting, advice on gardening, make-up and cookery.

WILLING'S PRESS GUIDE, 1954. *Willing's Press Service*. 650 pages. 1 guinea.

THE ISRAEL ECONOMIST ANNUAL, 1953. *A Survey of Israel's Economy*. 272 pages. £3.

THE USE OF THE REVENUE BUDGET AS A MEANS OF FINANCIAL CONTROL. *Institute of Municipal Treasurers and Accountants*. 80 pages. 20s.

THE ANNUAL REGISTER: *A review of Public Events at Home and Abroad during the Year* 1953. Edited by Ivison S. Macadam, assisted by Hugh Latimer. *Longmans*. 488 pages. 63s.

STUDY OF THE PROSPECTS OF INTER-LATIN-AMERICAN TRADE (Southern Zone of the Region). *United Nations and HM Stationery Office*. 144 pages. 11s.

QUIN'S METAL HANDBOOK, 1953. *Metal Information Bureau*. 786 pages. £1 5s.

THE STATESMAN'S YEAR-BOOK 1954. Edited by S. H. Steinberg. *Macmillan*. 1632 pages. 42s.

THE COLUMBIA-VIKING CONCISE ENCYCLOPEDIA. Compiled and Edited at Columbia University. *Macdonald*. 1092 pages. 50s.

THESE UPROARIOUS YEARS: *A Pictorial Post-War History*. By Michael Cummings, with a History in Words by Hugh Massingham. *MacGibbon & Kee*. 89 pages. 10s. 6d.

COLLECTIVE BARGAINING IN THE RAILROAD INDUSTRY. By Jacob J. Kaufman. *Columbia University Press* (London: *Geoffrey Cumberlege*). 245 pages. 30s.

Letters to the Editor

Italy Between Left and Right

SIR—Your Rome correspondent's report on Italy in your issue of July 10th is indeed a woeful story. There are few bright spots in the dismal outlook, which is relieved only when your correspondent holds out the hope that American capital may strike oil in Sicily, and when he tells us that the present Scelba Cabinet is behaving better than he expected. Signor De Gasperi comes in for no better treatment. "Discouraged and sad," all that he can do now is to "write his memoirs." Your correspondent's tone obviously implies that these memoirs could not be on the lines of *The Economist*'s appraisal in August, 1953, of Italian recovery and De Gasperi's premiership. If I may quote: "His long premiership may be looked back to as something of a golden age, in which Italy enjoyed good government and freedom, both at the same time. . . . Real wages are 20 per cent higher and the production index stands around 150 compared with the nineteen thirties. . . . Land reform has been pushed to the limit of what is politically practicable . . . and by its import policies, the government has begun to succeed in making Italian industry more competitive. . . . Italy is one of the leading members of the Atlantic Pact. . . ."

Opinions on political trends can, of course, differ. But where there can be no question of opinion is in the realm of figures and facts. A survey of 1953 affords, if not a brilliant, certainly an encouraging picture of Italy's position today. National income (7 per cent increase on preceding year), agricultural production (9 per cent increase), and industrial production (9 per cent increase), have been steadily rising in the past years. Attention might then be drawn to the index numbers (housing, consumption of certain commodities—such as meat in the South—State Railway revenues, entertainments, etc.) that indicate improved "social" conditions, a better distribution of wealth, and a rising standard of living.

The charge of "immobilism" can hardly be levelled at a country that has started and is pursuing a land reform revolutionising thousand-year-old systems; and has at the same time introduced a new tax system involving a drastic change of custom and requiring an altogether different tax "conscience." To say that "land reform is marking time" is a half-truth liable to create a wrong impression. The apparent slowing down is due to the fact that all the land that could be reclaimed with comparative speed has already been distributed. The land now in distribution is the least hospitable, and requires greater reclamation efforts (deep ploughing, irrigation, pipelines, roads, etc.) before it can be handed to the farmer. Actually up to June 12, 1954, 66,979 families had received 351,522 hectares of land reclaimed. At that date 3,272 new houses had been assigned, 11,248 houses were building, 71 new villages and farming centres were building or had been built.

Other points are: Italy's policy of trade liberalisation (up to 99 per cent) is in the opposite direction to both monopolies and "immobilism"; judgment is still premature on Signor Vanoni's plan for full-employment, as the details have not yet been announced; expenditure by the Cassa del Mezzogiorno has not been, as your correspondent states, one-tenth in 1954 of what it was in the corresponding electoral period of last year: this year's figures are higher than last year's, and they are, of course, available.

Perhaps it is well to recall—as *The Economist* so fittingly did last year—that the country that is tackling the unprecedented agenda of century-structural problems was, a decade still "lying in ruins."—Yours faithf

Rome PAOLO C

Spotlight on Defeat

SIR,—Sir Winston Churchill may said a number of things abou prospects of ultimate victory, bu certainly said [not in public] toward end of 1940 that he felt sure Germans would not beat us but tha order to beat them we should rel the assistance of the United States. opinion seemed at that time to c spond with the facts of the mil situation.—Yours faithfully,

Headley, Hants STEPHEN KING-H

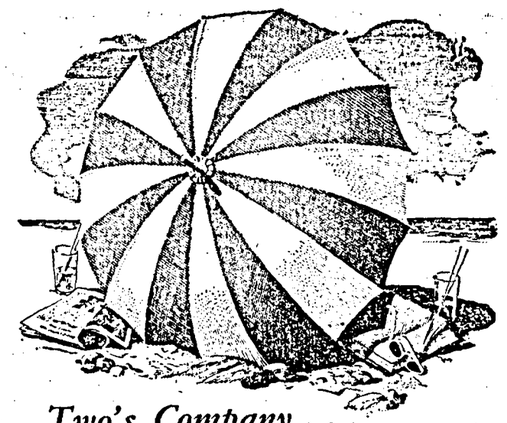
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MEANS GREATER
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January–June 1954 451,432
A gain of 14,003
over January–June 1953

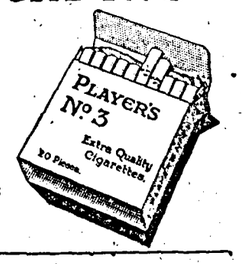
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(MANCHESTER)
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American Survey

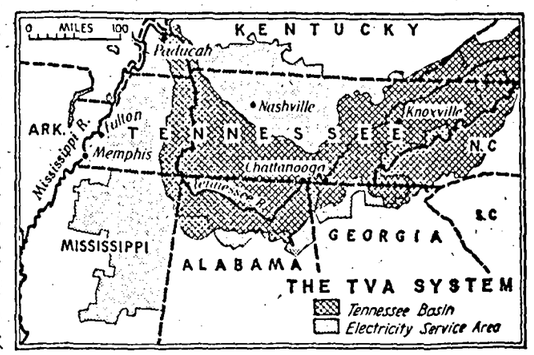
AMERICAN SURVEY is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Power Politics and Atoms

Washington, D.C.

AS if Washington was not inevitably over-hectic in the concluding weeks of a congressional session in an election year, an important and complex piece of legislation has now become entangled in an embittered and devious controversy which is only indirectly related to the Bill in question, but which has already seriously delayed the Senate's programme. The legislation is the proposed revision of the Atomic Energy Act of 1946, to permit the private development of atomic energy for peaceful industrial purposes and a freer exchange of information with allied countries; the controversy is over the Administration's *maladroit* order to the Atomic Energy Commission to negotiate a long-term contract with certain private utility interests, known as the Dixon-Yates group, for the delivery of electric power to the Tennessee Valley Authority's transmitting facilities in the vicinity of Memphis, Tennessee.

This power is intended to replace electricity sold by the TVA to the huge AEC installations at Paducah, Kentucky, and thus to make it unnecessary for the TVA to build a steam-generating plant at Fulton, Tennessee, to supply Memphis, something which the agency has long hoped to be allowed to do. Champions of the TVA idea argue that this substitution of electricity produced by private enterprise for electricity that would otherwise have [illegible] to be produced by the public agency is the President's [illegible]dabout way of attacking the "creeping socialism" of the [illegible], which is so embarrassingly popular in the area [illegible]h it covers. The TVA, left intact, but unhurt, [illegible] be forced to swallow unwholesome doses of private [illegible], instead of being allowed to expand its own facilities [illegible]eet new needs, while by contrast the Dixon-Yates [illegible]ne is to be given extraordinary advantages, such as [illegible] reimbursed by the government for its federal income



[illegible] this it is answered that the Fulton plant would have [illegible]ed the TVA beyond the original conception of a hydro-[illegible]ic development merely supplemented by steam [illegible]ation; that to call a halt to TVA empire building [illegible] not necessarily mean the "sabotaging" of the agency; [illegible] that some alternative to the Fulton plant was needed in any case, if the TVA was to fulfil its obligations both to the AEC installations and the Memphis consumers, since Congress has refused four times to authorise the Fulton project. The Administration also emphasises that, by not building the Fulton plant, it is saving the taxpayer an immediate capital outlay of some $100 million, which would have dashed the hope of balancing the budget; this, it is held, cancels out the fact that, in the long run, the costs to the government of the Dixon-Yates scheme will exceed those of the Fulton alternative, because the price to be paid for the actual electricity will be higher.

If this were the end of the matter, it might be written off as one more round, although an important one with wide political ramifications, in the struggle over whether power should be developed by public or private interests. But the peculiarities of the Dixon-Yates proposal have made it dominate the debate over the revision of the Atomic Energy Act. To begin with, although the electricity shortage at Memphis may be the result of contracts entered into between the TVA and the AEC at Paducah, it is an awkward way of solving this problem to ask the AEC to make contracts in its turn for the supply of 600,000 kilowatts of electricity a year to Memphis. To official assurances that this is simply a matter of replacement, and that one kilowatt looks pretty much like another, there remains the objection, voiced by two members of the AEC itself, Dr Smyth and Mr Zuckert:

> The creation of such a contractual relationship would place upon the commission a continuing responsibility during the 25-year life of the contract [with Dixon-Yates] for stewardship in respect to matters irrelevant to the mission of the commission. It has been our observation in government administration that arrangements which are obviously incongruous at the outset tend to become even less clearcut because no one can foresee what contingencies may arise over a long term of years.

Again, this anomalous arrangement was being pushed through by the White House and the Bureau of the Budget completely over the head of the supposedly independent TVA (which, incidentally, is actually without a head at the moment, pending the long-awaited appointment of a new

chairman), and against the expressed judgment of three of the five members of the AEC. Even the General Accounting Office has complained that there was no competitive bidding and that the only alternatives considered were the TVA's Fulton project and a single, belated offer, rather clearly unsound, from a group of New York financiers. Quite apart from doubts about the legality of the AEC's purchasing electricity for the housewives of Memphis, there still remains the ugly question of whether such interference with this most sensitive and crucial agency will not jeopardise the respect which it has generally enjoyed, in Congress and out, since its birth. If the Administration can go to such lengths on behalf of a private electrical group *today*, congressional critics ask, what can be expected when, in a few years' time, the AEC is deeply involved in much more complex questions concerning the use of atomic power by private industry?

The proposed new Atomic Energy Act deals extensively with these questions and, even without the doubts raised by the Dixon-Yates incident, there would be room for hot debate here. The non-military development of the atom promises to reproduce the public *versus* private power argument in new and possibly more intense forms. The report of the Joint Congressional Committee on Atomic Energy, which accompanies the Bill, strives hard for non-partisan compromise, but here and there the issues break through the surface. The chairman, Representative *Sterling Cole*, for example, dissents bitterly from the provisions in the Bill compelling the owners of atomic patents to grant licences for their use; this attempt to frustrate the formation of monopolies in the atomic field amounts, in Mr Cole's view, to "socialism run rampant" and would kill the incentives to individual technological advance. On the other side of the fence, Representatives Holifield and Price darkly predict the development of a new monopoly, licensed by the AEC, with far fewer safeguards for the public interest than are now imposed upon conventional utility companies.

*

These debates over the hypothetical economic future of the atom inevitably divert much-needed attention from the vexing problems of international atomic policy. Mr Holifield, the California Democrat whose record of hard work as an original member of the Joint Congressional Committee has made him the epitome of his party's approach to the atom, regrets that the two sides of the question have been included in one Bill for joint action. He feels that

> the Congress *should* put first things first and enact those amendments which might be necessary to implement the President's proposal . . . for an *atomic pool* of resources to encourage peacetime development of atomic energy among nations and to prepare the way for international accord on atomic armaments.

To the concern of many informed Americans who fear that the United States may alienate its friends abroad by failing to relax its security restrictions sufficiently to indicate trust in its allies has now been added a new note: anxiety lest the United States be caught hugging "secrets" to its breast which are genuine secrets no longer, and which the Soviet Union may begin to use for the benefit, or rather the seduction, of underdeveloped *countries*. Considering the degree of heartfelt interest in his proposal for an international atomic pool which the President showed at his news conference last week, the new Bill appears rather hesitant in its approach to the release of information to other nations. Admittedly the problems of security involved are as ticklish as is conceivable and such unfortunate side issues as demagogic nationalism or the jealousy and suspicion of many in Congress towards the Executive's control of foreign policy are all too likely to becloud discussions of these *matters*, if not to influence *final* decisions on them. Yet the foreboding persists that the United States could lose the race for atomic friendships with other nations, without necessarily falling behind in its own scientific and technological supremacy, and in spite of the serious and responsible concern over the broad range of atomic problems reflected in the Bill which is now being pushed through Congress.

So Far, So Good

SENATOR FLANDERS' reaction to the embittered departure of Mr Roy Cohn, the young chief counsel of Senator McCarthy's investigating subcommittee—"so far, so good"—was shared by almost everyone except Mr McCarthy himself. Many in the Republican party in fact feel that the resignation, which forestalled almost certain dismissal by the committee, goes far enough and is good enough to end the whole unhappy affair. In this view the "sacrifice" of the young man who appeared daily as Senator McCarthy's evil genius on the nation's television screens, during the hearings on the dispute with the Army, may take away from the Senator the stigma of his dictatorial methods and leave the voters with only the memory of his anti-Communist successes. This can only be achieved, however, if Mr McCarthy on his side behaves better now that Mr Cohn is gone, and the other members of the committee control the Senator more firmly; there was little sign of any improvement in either respect last week when his one-man investigation of Communist infiltration into defence plants was resumed.

Mr Flanders, however, is determined to make his Republican colleagues in the Senate stand up and be counted on McCarthyism. He has refused to be deterred even by the danger that he would delay the President's essential legislative programme by insisting on a debate, an argument of which the party's leaders have made much in their efforts to avoid a vote on this question. But Mr Flanders has now shifted to ground where he has more chance of obtaining a majority. Instead of demanding that Mr McCarthy be deprived of his committee chairmanships, something so contrary to Senate tradition that it seems as dangerous to Democrats as it does to Republicans, Mr Flanders is now asking only for a straight vote of censure on Mr McCarthy; even this has not been done for twenty-five years. The debate has also been postponed until the end of the month when the support of leading Democrats, including Senator McClellan, absent this week from Washington, is promised. But by then, unfortunately, the pressure for adjournment will be even more on the side of the Republican leaders and against the courageous Mr Flanders than it is at present.

Road Map for the Future

THE annual conference of State Governors would seem very suitable ground on which to map out the President's inspiring new road-building proposals, since any such programme must involve state governments. But in practice Mr Eisenhower was ill-advised to choose this occasion, for the present scheme is one of the chief sources of friction between Washington and the state capitals; under it, even though the federal highway grants, financed out of the federal tax on petrol, must be matched with state funds, the federal government decides how the money is to be spent. The Governors had just been discussing, not for the first time, a suggestion that the federal government should give up both its petrol tax and its highway grants and leave the states free to raise more money by their own petrol taxes and to build their roads in their own way. Against this background Mr Eisenhower's proposals looked to many of the Governors like gratuitous interference, doubly objectionable from a Republican President pledged to develop close co-operation with, and greater independence for, state governments.

Some states, however, such as Nevada and the Dakotas, with long roads and few motorists, get more in federal grants than they pay in petrol taxes, and their Governors were among those who, on taking a second look at the President's proposals, found to their relief that they were only a vague sketch with more immediate relevance to next November's election than to a federal highway system. Mr Eisenhower was in fact declaring his faith in an ever-expanding America and incidentally his readiness to embark on a public works programme should the economic pump need priming. Spending on the nation's roads has certainly lagged behind the country's growth and that growth is also being hampered to some extent by obsolete communications, traffic delays and accidents, and the legal disputes arising out of them. Even to begin to meet the needs of an estimated population of 200 million in 1970, the President believes, an extra $5 billion a year would have to be spent on the roads for the next ten years; this would more than double the present combined expenditures of federal, state and local governments, but charges of extravagance could be met by pointing to the inadequacy of the present system from a defence point of view. Most of the Governors decided in the end that they had no argument with the President's general thesis, in spite of its New Deal look, and he, for the present at least, is ready to leave the details and the financing to them to work out on their own lines.

Housing Frauds?

THE Senate and House conferees met to work out a compromise on the Housing Bill while officials of the Federal Housing Administration were still being dismissed before the Senate Banking Committee was still hearing how highly respected builders as Mr Levitt of Levittown had managed to make millions of dollars out of government programmes for encouraging home building. The main causes of these quick but apparently legitimate gains seem to have been allowances of 5 per cent each for architects', builders' and other fees, charges which were incurred at a much lower rate, if at all, in large-scale housing projects, and other over-estimates by housing promoters when applying for government-insured loans. In the circumstances it would not have been surprising if the compromise Bill had gone farther than the Senate version in curbing these "windfall" profits; the House dealt with the Bill before the scandals broke.

The conferees were, however, satisfied with the Senate's requirement that builders must now certify their costs when construction is completed, and reduce both their mortgages and their rentals if the final figures are lower than their original estimates, instead of putting the difference in their pockets; only a reasonable profit, probably about 10 per cent, is to be allowed in future. The compromise Bill also goes nearly as far as the President, and much farther than the Senate wanted in the direction of encouraging private housing activity, by making mortgages easier to obtain, by extending government insurance on loans to cover old as well as new houses, and by arranging for the gradual transference to private enterprise of the government agency which now provides a secondary market for mortgages.

Unfortunately when it came to the public housing programme, the compromise was again nearer to the House than to the Senate version of the Bill. Instead of the authorisation for 140,000 units to be built in the next four years, for which the President had asked, the Bill provides for only 35,000 units of public housing in the current year, and these units must be for the accommodation of people turned out as the result of slum clearance and redevelopment schemes. Since such schemes cannot begin until alternative homes are available for those displaced, there is a danger that there will be neither hen nor egg to start this new public housing cycle. To the five conferees, including the Republican Senator Ives of New York, who refused to approve the compromise, the public housing provision is a fraud which can hardly serve even to save the President's face. Mr Eisenhower himself has promised to renew his plea for public housing at the next session of Congress.

Unemployment Changes

THE failure of the unemployment figures to meet seasonal expectations in June was for once a satisfactory sign: unemployment rose by only 42,000, much less than the usual increase at this time. The explanation was that the labour force also failed to rise as much as usual, apparently because many young people leaving school decided it was not worth looking for a job. The total number at work was still over a million less than a year ago, unemployment was higher than in any June since 1950 and employment in manufacturing continued to fall. But the average number of hours worked, a sensitive indicator, was going up, the number of those who had been out of work for 15 weeks or more dropped significantly, and the number of insured workers claiming unemployment benefits also fell.

This picture is not encouraging enough to distract attention from the need for improvement in the unemployment insurance system, something which Congress is considering seriously for the first time since 1935. The Bill which has passed the House and is well on its way through

the Senate makes employers with only four or more workers, instead of eight or more as at present, liable to the unemployment insurance tax of roughly 3 per cent of the annual wage bill. Many state systems already apply to such cases and some to employers of only one or more workers. The new federal law, if passed, will extend coverage to an additional 1.3 million workers and also to 2.5 million government employees. The Bill goes too far already for many businessmen but not as far as the President asked even as regards its extension of coverage, and it fails in more important ways to put as large a feather as he had hoped for in the cap of the Republican-style welfare state.

The Administration, like its Democratic predecessor, had wanted to set a national minimum of 26 weeks for the duration of unemployment benefits and of half the employee's weekly wage for the amount of benefits. At present the duration varies from 5 to 26 weeks and the amount from $5 to $50 a week, depending on state laws. The federal government merely collects the tax, retaining 10 per cent of receipts for its expenses, and sets basic requirements. After that the states are free to frame their laws as they like; federal interference is resented in this field as in every other, but the present wide variations in regulations and administration could have national repercussions if unemployment becomes more serious and more sustained. Nevertheless, Congress seems unable to bring itself to deal with the situation.

Mechanisation in Coal Mines

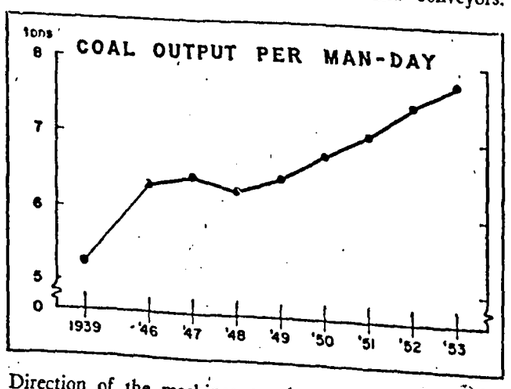
New York.

AN article last week pointed out that American coal producers are relying primarily on higher productivity to offset their heavy wage bills and to set the industry on a more competitive footing with its rivals. Progress in this direction since the war has been achieved mainly by emphasising opencast (strip) mining, in which output per man is three times as high as in underground mining. Large power shovels, excavators, bulldozers, and such new machines as the "walking dragline," for the swift removal of heavy overburdens, have extended the range of feasible opencast mines until they now account for nearly a quarter of the total output of the industry. Operations have been further extended by the use of giant augers—rotary bits three feet or more in diameter—which can bore horizontally for 200 feet, ejecting the coal automatically from the hole. But even with these devices, the deposits which can be mined economically by surface methods are essentially limited, and it is in underground mining that the application of new machinery will have long-term significance.

Mechanised production can be carried further in the United States than in Europe, owing to the prevalence of thick and horizontal coal seams and the relative absence of faulting in American mines. Over 95 per cent of all underground production is already cut by machine, and over 78 per cent was mechanically loaded in 1953. With new roof bolting devices to facilitate the installation and manoeuvring of machines, transport underground is speeded up by mobile off-track power loading equipment, larger shuttle cars, and better belt conveyors. Machines that can both cut and load coal in a single operation are becoming more frequent, and already nearly 300 of these complex mole-like "continuous miners" are in service or on trial.

In addition, new mining techniques, some based on European experience, are being introduced into American mines. The easily worked but wasteful traditional American system of "room and pillar" mining in thick seams is now being replaced by "longwall" mining on the German pattern; this makes possible the use of large coal planers and continuous mining machines along the whole length of the seam, which is mined laterally. "Longhole drilling and shooting," a form of remote mining which can be practised in steeply sloping seams, is also gaining acceptance. By these improved methods and by the introduction of nearly $1 billion worth of new machinery, output per man in underground mines was increased from 5.04 tons a day in 1945 to 6.39 tons in 1952; it has since risen further and the growing share of the more productive surface mines has pushed up output per man for all mines even more.

The next and more ambitious step is to eliminate the men at the coal face completely by the use of remotely controlled continuous mining machines and conveyors.



Direction of the machines can be controlled by electric sensing devices on the cutter—perhaps to be replaced soon by television "feelers"—which register on a screen in the control room. Both these remote miners and the augers have been developed for operation from the surface, and it is hoped they can be adapted for use underground. Thus, the ultimate goal—a fully automatic production from coal face to consumer—may soon be technically possible even if it is not yet feasible from an economic point of view.

★

The new technology will inevitably force its own pat on the organisation of the industry. Not only is co tration of output necessary to justify the heavy ove cost of the new machines but, if a proper balance of o is to be obtained between the cutting and lo machines, and if these machines are to operate continu at rated capacity, a company must organise a suitable layout and production pattern. It is now a questio adapting the mine to the machine, rather than the mac to the mine. Only large companies with adequate finar reserves can meet these conditions. At present, som per cent of the total output is provided by 300 of largest companies, with the remaining 20 per cent divi between some 6,700 smaller concerns.

Inevitably production will be concentrated in the more efficient mines—or in new ones—and the old high-cost pits will be closed. In periods of exceptionally slack demand, as at present, this trend is intensified in order to keep the more highly capitalised mines working at capacity. A solution to this problem of ensuring a steady demand is also being sought by closer integration with large consumers; intensive mechanisation is most rewarding in "captive" mines—mines either owned by, or with a close contractual relationship to, the steel companies, electric utilities, chemical companies and other large coal consumers. Integration, in turn, may mean the siting of new mines with a view to the large consumers of the future, especially those that can be persuaded to build new plants near the new mines.

This trend toward the greater concentration of production holds out little hope to small, marginal producers; these either cannot afford to mechanise, or can provide neither the physical conditions in which to get the best out of the machines nor the steady output needed to spread overhead costs effectively. Many of the small producers who specialise in low-cost strip mining, or who have the advantage of low-cost non-union labour, may be able to stay in production as long as these special advantages can be maintained, but the others will drop out. The industry can at least be thankful that the miners accept the consequences of their insistence on high wages and show commendably little opposition either to technological change or to the closure of high cost pits.

Pandora's Police State

EVEN though last January Congress was wildly enthusiastic about the President's proposal that anyone convicted of belonging to the Communist conspiracy should lose his American citizenship, neither house has yet given practical effect to that enthusiasm by passing the necessary legislation. Nor have many of the other measures in the Attorney General's large load of anti-subversive Bills got beyond the committee stage. The more the legislators look into this Pandora's box, the more they suspect that they are being asked to let loose a swarm of threats to America's civil liberties and constitutional rights—and Congress has not enough confidence in the Attorney General, Mr Brownell, to take his word for it that there is no danger of a police state hidden in his proposals.

The Administration will therefore have to wait until next year and the next Congress for most, if not all, of the additional legislative authority which it considers essential if the net against Communist infiltration is to be tightened. And if the example of the present Congress is followed, that authority, when it comes, will be in a more modified form than the Administration likes. Already the House Bill permitting the use in court of evidence obtained by tapping telephone wires has restricted this power to such an extent that the Administration regards the Bill as useless; the Senate version looks little more satisfactory and even Senator

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Statement of Condition as of June 30, 1954

ASSETS		LIABILITIES	
Cash, Gold and Due from Banks	$1,385,694,206	Deposits	$5,455,443,656
United States Government Obligations	1,602,710,324	Liability on Acceptances and Bills	$66,511,778
Obligations of Other Federal Agencies	40,332,173	*Less:* Own Acceptances in Portfolio	36,578,047
State and Municipal Securities	575,223,849		29,933,731
Other Securities	78,411,528	Due to Foreign Central Banks (*In Foreign Currencies*)	11,349,000
Loans and Discounts	2,202,228,486	Items in Transit with Branches	346,350
Real Estate Loans and Securities	230,682	Reserves for:	
Customers' Liability for Acceptances	27,838,032	Unearned Discount and Other Unearned Income	22,573,793
Stock in Federal Reserve Bank	10,500,000	Interest, Taxes, Other Accrued Expenses, etc.	35,550,824
Ownership of International Banking Corporation	7,000,000	Dividend	3,750,000
Bank Premises	30,768,737	Capital ($7,500,000 Shares—$20 Par)	$150,000,000
Other Assets	5,706,940	Surplus	200,000,000
		Undivided Profits	57,697,603
			407,697,603
Total	$5,966,644,957	*Total*	$5,966,644,957

Figures of Overseas Branches are as of June 25.
484,642 of United States Government Obligations and $12,852,700 of other assets are pledged to secure Public and Trust Deposits and for other purposes required or permitted by law.
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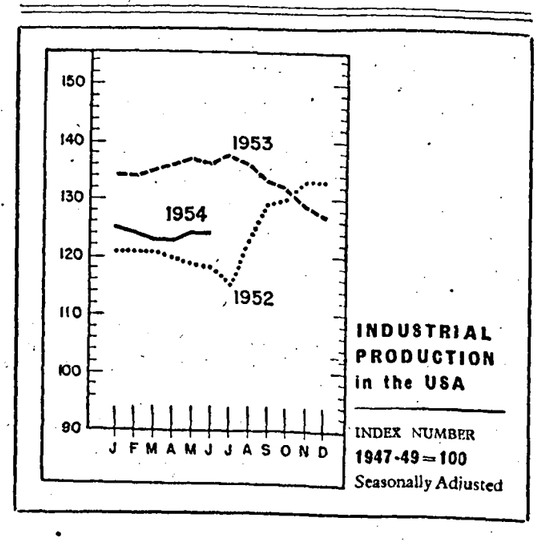
McCarran, not usually accused of liberalism, seems to think Mr Brownell has gone too far this time. The House Judiciary Committee is proposing that an independent commission study the whole question of Communists in trade unions and defence plants, before legislation is considered, while the Senate committee has approved a Bill dealing with Communist-infiltrated unions and businesses by methods less drastic than the forced "dissolution" and "liquidation" suggested by Mr Brownell. The only Bill of this kind that has actually been sent to the White House is that requiring subversive organisations to give the government a list of their printing machinery. Another Bill that has a good chance of passage at this session, for it is through both the whole House and the Senate committee already, is that making espionage in peacetime punishable by death.

SHORTER NOTES

The United Hatters, Cap and Millinery Workers have provided a "very happy example of labour-management co-operation," according to the company concerned, by granting a loan of $250,000 to the country's largest millinery manufacturers, in order to keep the firm in business and to protect the jobs of the people engaged in the trade. In spite of its own financial difficulties, as a result of a costly strike earlier this year, the trade union has agreed to contribute $50,000 from its treasury and another $200,000 from the workers themselves, at a rate of $200 each, as an investment in the security of their jobs. Without the union loan, the company, which has experienced a sharp drop in hat sales and has had to make heavy investments in new productive facilities, would have been obliged to shut down two of its plants and discharge 700 of its workers.

★

The Interstate Commerce Commission has revoked its earlier ban on the extension of "piggy-back" operations, thus permitting six Eastern railways to begin carrying lorry trailers on railway flatcars. The commission's previous objection to the new service, designed by the railways to make up for the decline in freight traffic, was based upon its desire to protect the trucking industry against unfair competition from artificially low rates; however, the ICC will have full opportunity—at the forthcoming hearings on the question—to consider ways of regulating "piggy-back" services.



★

President Eisenhower has given his support to legislation prohibiting the payment of a civil service retirement pension to Mr Alger Hiss, who was convicted of perjury in 1949, after his resignation from fourteen years of government service. Congress was "shocked, aghast, enraged, and boiling mad" at the possibility of Mr Hiss receiving his $708 annually, beginning in 1966, and this mood was intensified when the Civil Service Commission and the Bureau of the Budget opposed Bills that had been introduced to remedy this situation. It turned out, however, that the agencies objected only to those Bills which interfered with the contractual agreement between the government and an employee involved in a pension; they are prepared to support a Bill which takes pensions away from any civil servant convicted of a felony.

★

Smaller taxicabs will be operating in New York as a result of the Mayor's approval of a new law permitting the use of stock automobiles as taxis, in competition with the special "jumbo" cabs. Over a hundred taxicab owners have already indicated their preference for the smaller type of cab, in general use in other American cities.

★

A Robert A. Taft Memorial Foundation has been established, as a non-profit and non-political educational organisation, to perpetuate the ideals of the late Senator. The organisation, which has already announced its readiness to accept contributions from "the Senator's many friends and citizens through the country who have wanted to make a contribution in his memory," will use its funds to aid schools, libraries and individuals "to promote the advancement and diffusion of knowledge and understanding." The new foundation—unlike its older and wealthier competitors, such as Ford, Rockefeller, or Carnegie—should be fre from any fear of investigation for subversive activities Congressman Reece's Committee, for Mr Reece has l been an admirer of the late Senator.

★

The influence of the Eisenhower Administration has praised by the International Temperance Associatio reducing by one-third the expense account charge alcoholic beverages for state and diplomatic functions d the past year, compared with the 122 million cocktails s by State Department officials during the nine years be 1942 and 1951. The Association regards heavy alco consumption as "the single most influential factor lowered United States prestige abroad"; but this h explains why a decline in American prestige has in the year accompanied the decrease in alcoholic consumptior



OLWOBULUUNGI BWABANTU!

FOR OVER FOUR YEARS Mukasa has watched the great dam being built at Owen Falls, to make more electricity for Uganda.

Mukasa has seen much good come from electric power.

In this new hydro-electric scheme he sees a brighter future for his people. "Electricity," says Mukasa, "is *olwobuluungi bwabantu*—for the benefit of Man."

Her Majesty the Queen, homeward bound on her world tour, recently opened the Owen Falls dam. The six 16,770-kVA waterwheel alternators, which make the electricity, are being supplied by The British Thomson-Houston Co. Ltd., one of the nine famous British companies that together make up A.E.I.

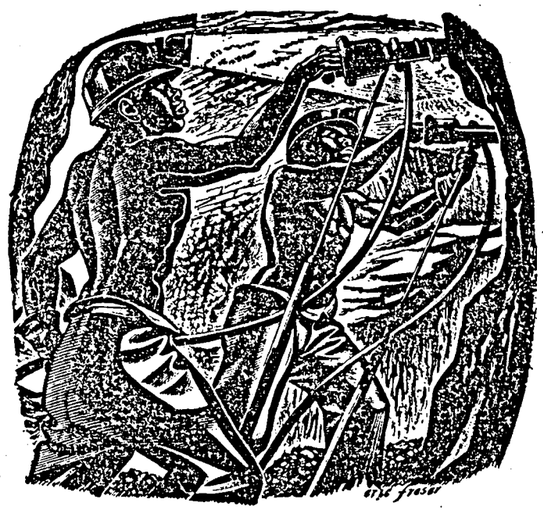
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Mining in South Africa



Precision work in Switzerland

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The World Overseas

Creeping Convertibility

WESTERN EUROPE and the sterling area inched a little closer to their convertibility goals last week. Mr Butler and his fellow finance ministers are in general agreement on how convertibility is to be approached and on the problems which must be solved before it becomes a reality. Before C-day (the day when non-resident sterling acquired by current trade can be freely turned into dollars) a number of decisions must still be taken and a number of things must have happened; after C-day more steps must follow before full convertibility is a reality. C-day will not be, in itself, a day of drastic decision but simply one point (and it is still a movable point) along a line. The sequence of events leading from where we are now to full convertibility is not a rigid one. But the road is a long one and there are many tempting resting places on the way. Although the two-day meeting in Church House last week charted the course, it did not set the time-table and any early announcement that the pound is now freely interchangeable with the dollar is ruled out by the course set. Talk about convertibility will be with us for months, and perhaps for years, to come. It is talk with a language of its own and much of it is pure jargon, but it is not yet altogether past translating.

Three big and interlocking problems and a cartload of lesser problems confronted the OEEC ministers. The first was the problem of trade, the second the problem of credit, and the third the problem of organisation. On each of these a large measure of agreement has been reached, the area of disagreement identified, and decisions taken on how to proceed, or how to put on ice. The result is a programme which is clear in outline but fuzzy, frequently intentionally so, in detail. It is a programme which divides into phases: first, a pre-convertibility phase; second, a transitional period of about a year which will begin when pound sterling becomes convertible for non-residents a number of European currencies also become convertible; and third, the future which is forseeable at the end of a decent, but not too long, transitional period. It is a programme which has the great merit of concentrating principles. The temptation to legislate in detail too far in advance is one of which Bretton Woods has taught the lers.

The principle which has rightly dominated all the discussions on convertibility at the meetings of the OEEC is that currency convertibility and trade liberalisation are—or at least should be—two sides of the same coin. Accordingly, there has been general agreement on three important trade objectives. First, at C-day no OEEC country, whether or not it is itself ready to make its currency either partially or fully convertible, should retreat from the level of liberalisation of its trade with other European countries then prevailing. Second, between now and C-day fresh efforts should be made to eliminate the remaining quantitative restrictions on intra-European trade. And third, during the transitional period the OEEC countries should not only continue with their programme of intra-European trade liberalisation but should progressively remove restrictions against dollar goods. These are important and difficult decisions. Further progress on removing trade restrictions even within Europe will not be easy. Except for France, most countries are already down to a hard core of quotas which are unimportant from the standpoint of the country's balance of payments but considered vital as protective devices. Those with low tariffs, such as the Scandinavian and Benelux countries, will naturally feel that the problem of eliminating the remaining quotas cannot be looked at apart from the question of tariffs. But the linking of these two problems raises knotty questions of principle and procedure which will be time-consuming and difficult to solve.

The decision that there should be no backsliding on C-day and that restrictions against dollar goods should be removed as well is even more difficult and leads directly to the question of credits and organisational arrangements. It is generally assumed that not all the European countries will be able to make their currencies convertible at the same time. But it is clearly to the interest of the countries which can become convertible, as well as of advantage to those that cannot, that trade liberalisation among the entire group be maintained. In the absence of a prior agreement to do so, the almost inevitable development would be discrimination by countries with weaker currencies against imports from countries with stronger currencies and a return to bilateral trading. It will be hard for a country which does not believe its currency is strong enough to become convertible to agree to maintain a liberal trade policy in Europe, and to go further and join with the "convertible" OEEC countries in removing restrictions against dollar goods. Accordingly, the plan is that when C-day comes the European Payments Union, which in its present form would cease to exist, should be succeeded by a new European Fund.

Although little has yet been said about the new fund, its general purpose would be to enable a country in difficulties to obtain funds on a short-term basis and thus to avoid reimposing trade restrictions. Presumably the normal

recourse of a country which had become "convertible" but was facing temporary balance-of-payments difficulties would be to the International Monetary Fund, and the European Fund would be drawn on principally by the "inconvertibles." But just as the IMF will only "work" if, in fact, the basic conditions of convertibility are present, so the European fund will only "work" if there is some real prospect that after a reasonable length of time the inconvertible European currencies can become as convertible as their stronger neighbours. As a direct descendant of the EPU, it should be easy for the proposed fund to inherit the freedom of discussion and mutual criticism that has been characteristic of the EPU. But unless the temptation to regard the European fund as a source of easy credit is resisted, and the price of assistance is both an examination of the reasons which have led a country to require funds and some assurance that the situation will be corrected, it is difficult to see how the new fund, like so many old funds, will be able to do more than buy time.

Ministerial decisions appear to have been easier on imminent problems than on hypothetical future developments. In international gatherings it is frequently easier to be more positive about tomorrow than about today, and in so far as the decision to concentrate on immediate questions reflected hard-headedness it is all to the good. But, at least in part, the unwillingness of ministers to look for long or too hard at the crystal ball was not caution or realism but wishful thinking. Although considerable progress has been made in agreeing both on immediate next steps and on the ground rules for a convertible world, the question of the interrelated roles of the IMF, Gatt and the OEEC in assisting countries to respect these rules and in disciplining violators was left completely unresolved.

Future of OEEC

The difference of view centres on the role of the OEEC, and, paradoxically, the difficulty arises because that organisation has been surprisingly successful, as well as somewhat unorthodox. One view, and a logically impregnable one, is that once the principal European currencies are convertible and trade discriminations against the dollar have been largely eliminated, there will no longer be an identifiable regional problem, and that the appropriate places for trade and payments discussions are Gatt and the IMF, somewhat modified and linked more closely together than at present. The other view is that the OEEC trade and payments system has worked, and therefore it would be sense to expand it rather than to jettison it. The British (and Commonwealth) Governments tend to favour the first approach, the Continental countries the second. The Americans appear to favour the first, but raise sceptical eyebrows when new organisational links between Gatt and the Fund are mentioned.

The reasons why the OEEC approach has worked well are essentially three, and the three are closely interrelated. First, trade and payments questions have been considerd together; secondly, technical discussions have had close ministerial direction; and thirdly, and by far the most important, countries have abandoned the sharp line between matters of internal and external economic policy that has traditionally marked international discussions. It should not exceed the power of man's devising to reproduce these constituents of success in the world-wide organisations by some adapting and reorganising. And if that can be done, it should be done. For it is difficult to see how the alternative of building on the OEEC can ever be a full alternative. It is unlikely that Japan, or for that matter a number of the Dominions, would see the point of joining a European club in order to talk about world trade. The problem of how to make the IMF and Gatt more effective would therefore remain even if the OEEC were to continue to discuss trade and payments questions. Furthermore, the key country in a system which is premised on convertibility is the United States. Although the United States is an associate member of the OEEC and an observer on the managing board of the EPU, the discussions in those organisations have never involved American undertakings on trade and monetary policy. There is at least some American commitment on which to build in Gatt and the IMF. Sentiment for the familiar should not be allowed to count in the final decision.

There is always the chance that the move toward convertibility will get stuck along the way, and that a multilateral non-discriminatory trading system will continue to be a pleasant dream. Achievement is, in any case, not imminent, the immediate tasks of the OEEC are obvious, and the transitional period will call on all its reserves of ingenuity. These are strong temptations to continue to wait and see. But the IMF holds its annual meeting in September and the contracting parties to Gatt meet to re-examine the General Agreement in November. Continued agreement to disagree among the member countries of the OEEC will only serve to make vigorous action by these organisations more difficult.

The Cypriot's Dilemma

FROM A SPECIAL CORRESPONDENT

IMAGINE a small British colony in a Channel island under the most benevolent French administration known. Its members would admit the economic advantages of their way of life—generous subsidies, French defence expenditure, cafés, good wine, French cooking—but, if pushed to a testing point, something in them would always vote for beer, gloom, darts, pools and sodden playing fields. They would not waver even if England were poor and shabby. That is roughly the position in Cyprus.

The Cypriots do not dislike Britain; they merely long for Greece, and the chief factor in this longing is a feeling that they can never "belong" among Anglo-Saxons; f years Britishers in the island have made Cypriots feel t by their display of unselfconscious superiority. Cypr feel that the British think them fit only for jobs in the office, whereas poor lean-wolf Greece offers them a equality of citizenship with opportunities to supply gen heads of the foreign office, and even prime ministers. deep sense of frustration deserves sympathy. Force the polls for one or other extreme solution—for unal Greekness with no material British link or unall Britishness with no emotional Greek link—they would a nervous breakdown as they voted, but they would n all vote for Greece for this reason alone. In their h of hearts they would prefer never to be put to this ag ing test.

Lately, therefore, they have brought off a *coup*. They now able to relax at the centre of stillness in the hea

a tropical storm, because they have succeeded in shifting the real flashpoint of the matter to Athens. In a sense they feel that in persuading the Greek government to espouse the cause of union the first step in the *enosis* campaign has been successfully completed. "Mother Greece," after a long period of embarrassed thought, and after several attempts to initiate private discussions with Britain, has been reluctantly forced to take up a question which, however one regards it, must be a most distasteful and awkward one for Greek diplomacy to deal with.

The bluntness of the British refusal to discuss the matter has had a sobering effect both in Greece and in Cyprus; the initial fury of the public has given place to a more subdued attitude, and in the island people are for the first time beginning to consider a constitution as a serious possibility. Field Marshal Papagos has also mentioned it, but only as a short-term gambit. While the Cypriot press maintains an uncompromising attitude to any suggestion of weakening over *enosis*, the Cypriots appear to have begun to appreciate how distasteful the whole problem is to Athens—if not to realise that the Greeks of Greece would lose more by Anglo-Greek discord than the Cypriots could gain by union.

The present deadlock has been greeted in Cyprus with certain subdued relief; for it is one of the paradoxes of the situation that, genuine and imperative as the psychological need for union is, the Cypriot is far from blind to the grave material hardships which would follow it, and fall on a people completely unused to them. The substitution of the drachma for the pound, and of the Greek judicial system for the present relatively honest if leaden-footed one, not to mention the intrusion of commercial rivals from Greece, could have grave effects on business no less than on pleasure. If Cyprus were to sink back into the anonymous neglect in which Crete or Xante smoulder today it would be a poor look-out for the rich middle-class which lives a comfortable English suburban life in which cars, radios and gold wrist-watches are within reach of the *many* rather than the few. The standard of living is fantastically high compared with that of Greece; and while it is true that the apparent health of the economy of the island is really artificial—that is, not based upon its real resources—nevertheless trade is booming and money pouring in.

The Attractions of Austerity

In justice to the *enotists*, it must be said that they have r tried to disguise the material hardships that would t them after union. Rather have they taken them for le-cry. The responsible intellectuals repeat that these tal benefits in the long run only serve to emphasise epen the Cypriot Greek's feeling of dissatisfaction, dimly senses that the Mediterranean way of life with alities has something less artificial to offer him than isant padded suburban existence; and he even goes s to say that distasteful obligations, such as military in the Greek army, would do Cypriots a lot of good nsolidate their feeling of belonging to their own

problem, then, whose mainspring is purely psycho- has been blown up to an intimidating size by British to think it important, and has assumed a purely l aspect which threatens to strain the good relations g not only between Britain and Greece, but also n Greece and Turkey. For it goes without saying that the large Cypriot Turkish minority, about 100,000 strong, has been alarmed by the possibility that the island might be returned to Greece. While the claims of the Turks were originally based only on the fear that material conditions would suffer under a Greek administration, there are distinct signs that the Turkish claim has now grown into something positive since Ankara has shown itself disposed to lend an ear to the complaints of the Turkish minority of Cyprus. It will be remembered that when Ataturk's grave was filled with soil taken from the various provinces of Turkey it was not forgotten to add a handful of the soil of Cyprus to it—official recognition of the validity of the Turkish claims which much encouraged the Turks of Cyprus. Many Turkish minds would be set at rest if faith could be placed in British consistency and fairness.

Moral conflict is everywhere, and responsibility for solving it now lies with Athens, for the Cypriot Right could easily be prevailed upon to follow any directive given by the Greek government. The Cypriot Left, which is *enotist* but has no other views in common with the Papagos government since it follows the advice of Moscow, would be less tractable. Indeed the whole question of change and compromise raises problems not the least of which would be that of imposing the constitution and elections that are the core of present British policy on an island where, on a straight vote, the Communists would dominate the political scene. A great gap in the case for *enosis* and self-determination is created by the political strength and organisation of the Cypriot Communists, whose appeal the Cypriot Right has good reason to fear. This weakness in the *enotist* case will be described in a later article.

Guatemalans Take Stock

FROM A CORRESPONDENT IN GUATEMALA CITY

THERE was a great gasp of relief in Guatemala when the revolution finally ended and practically all the Communists were swept together into ineffective piles—the important ones huddling together for asylum in the foreign embassies, and the small fry jammed into the jails. But no one, neither the market women, nor the taxi drivers, nor least of all the new government, imagined that the long crisis had reached a full stop. Even though the war was, militarily, on the tiniest possible scale, politically it had disorganised the country as completely as if there had been grandiose battles and total surrender. The government, the political parties, the labour unions, and the independent agencies dealing with such matters as social security and land reform, had all been so thoroughly infiltrated by Communists that there was no alternative to starting all over again. Even the army will eventually be reorganised, after a purge.

The most nerve-racking question, in fact, the one really important question that stirs all Guatemala, is how the new start will be made. Most people had no particularly strong feelings one way or another about the regime of President Jacobo Arbenz until its last few days in power, when it went semi-hysterical in a paroxysm of revenge for the impending defeat. There were some things people liked about the Arbenz government—the intensely protective labour laws, the social health schemes in the cities, and the redistribution of land in the country in so far as they received rather than

gave up plots. There were also things they did not like—the arrests, the dull fears, and most of all, the international hullaballoo that nearly ruined all business except coffee, and unnerved the normally placid Guatemalans.

For four years, the Arbenz regime proclaimed in shriller and shriller tones that the whole fuss was nothing but the greed of the United Fruit Company backed by old-fashioned United States imperialism. By the time the end came, there were few, if any, Guatemalans who had not absorbed enough of the din to suspect there might be something in it. They are now waiting to see if their suspicions are correct.

The United Fruit Company's contract with its 12,000 banana workers will be renegotiated. How? What will finally be done with the company's expropriated but still undistributed land? How much more than the $1,500,000 offered in compensation, and rejected as ridiculously inadequate, will be paid if expropriation is confirmed? The land reform law was suspended long before any important change could be effected in the old proportion of ownership—70 per cent of the cultivated land held by 2 per cent of the people. The Guatemalan Indian, naturally peaceable, sombre and resigned, has had enough of a taste of the greatest treasure he knows, land, to feel a tantalizing craving for a real feast.

The Indians have always been excruciatingly poor, backward, illiterate and half-pagan, but they are not stupid. To the surprise of President Arbenz and his followers, they could not be incited to rise violently in support of slogans and a group of earnest men in the capital. They took practically no part in the revolution. But they know what they expect, and they still have the arms hastily and hopefully distributed to them. The new regime has promised that land distribution will start again when a new constitution has been written and a new, improved law passed. Only 10 per cent of Guatemala's land is cultivated. With money, a good deal of the land hunger could be peacefully satisfied.

Landowners see the Light

Until a very short time ago, Guatemala's big *finqueros* could see no reason for any of this. They were more than content with their near feudal status, they were adamant about it. At least some of them seem, under Communist pressure, to have seen the light. Just after the Arbenz regime was overthrown, the ultra-conservative Association of Guatemalan Agriculturists placed large advertisements in the newspapers urging their members to make no change in their relationships with their workers, and to take nothing away from them now that the pressure is off. The peasants are waiting to see.

The intellectuals are waiting, too. They have been through a painful spiritual struggle. One man, held a prisoner by the Arbenz regime for fifteen months, tortured until death seemed preferable, and then sent before a firing squad which waited thirteen hours for the order to execute, escaped only because the regime fell that very day and the order never came. On his hospital bed the day he was released, he voiced his most bitter complaint against the Communists: "They made me join with the reactionaries. There was no other way to fight them." But he said that he would not consider entering the new government either. "It is better that I stay outside, where I can fight again, if this one goes sour the other way." Many others, faced with the same choice under Arbenz, preferred linking hands with the Communists to joining up with reactionaries. They are suspect now. They would probably be willing to put their energies to work in a new atmosphere, but as yet they are unacceptable. They, too, are waiting to see.

Guatemala has one great asset to tide it over this period of expectant tension. That is money, or rather, coffee, which comes to the same thing. National reserves are high, since most of the gold and cash was on deposit in the United States. Arbenz left a $35 million public debt, which shocked Guatemalans deeply, but a couple of good coffee crops will take care of that.

NOTES FROM SOUTH AFRICA

(These notes are contributed by or based on messages from our correspondents in South Africa)

Alternatives Before Malan

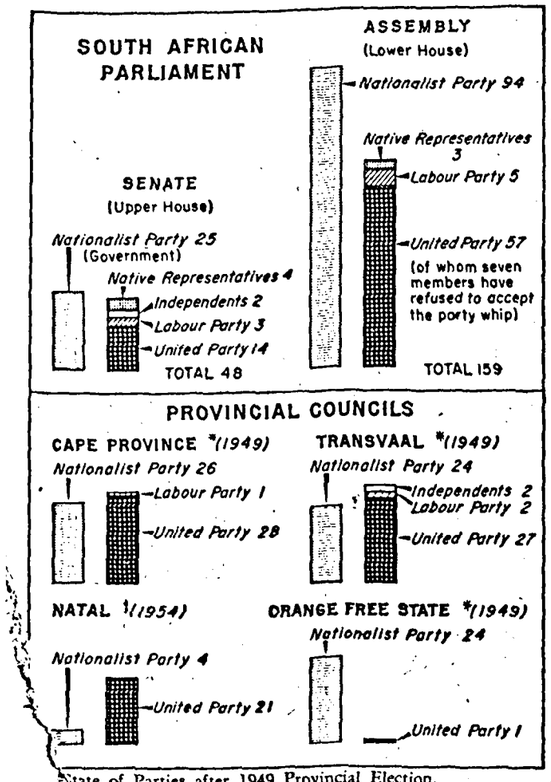
DR MALAN and his followers are unperturbed by parliament's rejection of the Bill to remove the Cape Coloured voters from the common electoral roll. In their minds it is not a defeat but simply a technical hitch that must be circumvented by one means or another. But the Nationalists, for fear of unfavourable repercussions in the country, are now opposed to unconstitutional action. They are anxious to clothe their manoeuvres with a cloak of respectability. That is why the provincial elections, which took place in Natal last month and are due to be held in the other three provinces on August 19th, have been elevated to a place of such importance. Normally they pass off unnoticed and scarcely anyone knows or cares who is his provincial councillor. But on this occasion the Nationalist cabinet is seeking a vote of confidence in its policies. Overwhelming victory, even if it is secured, cannot, however, release them from the constitutional deadlock in which they are gripped.

Assuming outright success for the Nationalists at the provincial elections—and it is by no means assured—Dr Malan has open to him two possible, though questionable, expedients by which he can improve the numerical standing of his party in the central legislature. He may take power to dissolve the upper house (Senate) and reconstitute it through the electoral colleges, which are formed by members of parliament and provincial councillors. With increased representation in the councils he can hope for larger Senate representation for the Nationalists. Alternatively, if his majorities in the coming elections are not big enough, he may seek to amend the South Africa Act so as to enable election of Senators by simple majorities instead of by proportional representation. By this device it has been calculated that he could increase the numbers of government Senators from 29 to 36. But the irony of the situation is that, no matter which expedient he is tempted to adopt, he will still be short of the number required to pass the contentious Coloured Voters Act, unless there are further desertions from the Opposition ranks.

* * *

Reviving Opposition

THE United Party (UP), the main opposition party, appears at last to be achieving stability after the severe rupture earlier this year. It is, indeed, showing signs of spiritual revival. The party leaders must be well satisfied with the results in Natal, for they showed unmistakably that the UP is capable of dealing with its rivals within the opposition ranks. The Federal Party, for instance, which stands principally for the maintenance of the Commonwealth tie and was expected to win several seats, failed to win a single seat, though it polled over 20,000 votes. In consequence the party leader, Senator Heaton Nicholls, committed hara-kiri by promptly resigning his seat in the Senate. But the United Party has less cause for satisfaction in the loss to the Nationalists of the Weenen seat in northern Natal. As for the coming contests it is to be expected that in the Cape, where the seats are at present almost equally divided, the Nationalists will gain control of the Council. In the Transvaal they are likely to increase their numbers, though it is doubtful whether they will secure a majority of the seats.



tate of Parties after 1949 Provincial Election, fter 1954 Election.

e Free State the UP is resigned to losing its single d.

e main objective of the Nationalist Party will be to many votes as possible so as to wipe out the Opposiinceer that it is a minority party. In the last general n a year ago the Nationalists polled 600,516 votes t the 615,973 of the combined opposition parties. If osed seats are taken into account the Government's ity of votes is over 110,000. Against this, however, ationalists can argue that it makes no sense to lump opposition votes together since the various parties ctions are at sixes and sevens with one another. There stance in this contention as is shown by the tendency splits in the once united fronts to become permanent.

Apartheid in Education

WHEN parliament seven months ago approved Dr. Verwoerd's Bantu Education Act, all African education up to matriculation standard, which formerly fell under the provincial councils or was provided by church and mission societies, was transferred to the Native Affairs Department. The Minitesr has said that the transfer will be gradual; but so far little has been done to clear away the confusion that the Act created. Here and there action has been taken. Without consultation double sessions have been introduced in schools in the Johannesburg area; by this device the Government provides additional schooling for African children simply by cutting in half the school hours. This expedient brought a vigorous complaint from the Bishop of Johannesburg, who described it as "a travesty of education."

With the exception of the powerful Dutch Reformed Church every religious denomination concerned in African education has protested against the Government's plan. And well they might, for they are going to lose half their teachers' subsidy from the Government, and thus are threatened with imminent extinction. The Native Affairs Department has explained that in fact the mission schools have been given a choice: either sell or rent their school buildings to the Department, or accept the cut in the teachers' subsidy. But the practical effect of this "choice" is to leave only one alternative—sell to the Government. It would, for instance, cost the Anglican diocese of Johannesburg about £44,000 a year out of a total budget of £72,000 to carry on under the Government's alternative.

Dr Verwoerd is unlikely to be moved by the Churches' protests. Recently, however, the influential Christian Council of South Africa, which embraces all the Christian Churches except the Dutch Reformed and the Roman Catholic Churches, decided to call a national conference to consider the implications of the Government's plans. Many people are, indeed, willing to concede that there are advantages in putting African education under the central government; but it is Dr Verwoerd's manner of tackling the problem, and the suspect motives behind his policies, which have infuriated and dismayed churchmen and others. It is obvious to everyone that his main object is to force through the policy of "apartheid" in the field of education, even if it means using to the full the dictatorial powers granted to him under the Act.

* * *

Fear and Verwoerd

As Minister of Native Affairs Dr Verwoerd occupies the most important post in a government more and more of whose energies are devoted to the determined and, in many aspects, ruthless application of *apartheid*. During this year's parliamentary session he has towered above all his colleagues and has been more often in the public mind and eye than Dr Malan himself. Illness among cabinet colleagues has left him in possession of the parliamentary stage for a large part of the time. He has stamped about on it threatening the English press with muzzling for daring to criticise him, and bawling at the Johannesburg City Council for not complying promptly with his wishes.

His explanations of the place of the Natives under *apartheid* become steadily less like those put forward by the serious-minded theorists of Stellenbosch University and the Dutch Reformed Church. "We have lots of tractors and

trek-oxen, but we don't give tractors and trek-oxen the vote"; this is a fair sample. In short, Dr Verwoerd seems to be strenuously grooming himself for the job of *volksleier* in a political setting where the past few years' events have amply demonstrated that nothing succeeds like success. And the reason for such success? A political observer who has been right fairly often explains: "We South Africans are afraid—afraid of the 'Natives,' afraid of the Indians, afraid of Mau Mau-ism and 'Gold Coast-ism,' and of course afraid of one another—Afrikaners fear Englishmen, Englishmen fear Afrikaners. Dr Verwoerd fully embodies those fears. He is not just playing politics, he really means what he says; that's why everyone testifies to his sincerity. He boldly admits his fears, and in the same breath announces that he, and he alone, holds the key that will turn the lock on fear—which he calls *apartheid*. More and more people are drugging themselves into a belief in *apartheid* simply because they share Verwoerd's fears."

★ ★ ★

Sick Nationalists

"MR STRIJDOM and I," said Dr Verwoerd the other week, "enjoy many a hearty laugh together at this wild story." He was referring to the popular theory that he has now supplanted Mr J. G. Strijdom as Dr Malan's probable successor. If Mr Strijdom is doing any hearty laughing, it is in private. The "Lion of the Waterberg" is in fact a much subdued man. Dr Verwoerd used to be a follower of his; now he seems to have become a follower of Dr Verwoerd. Possibly he is just waiting to see how much of the Verwoerd doctrine the country is really ready to swallow. But it is not like Mr Strijdom to wait, and friends are whispering that he has lost the "will to win."

The truth appears to be that illness and approaching old age have conspired together to quench several Nationalist fires. Dr Malan was already an old man in 1948, and some of the very active volcanoes of that year have also not been getting any younger. Mr Strijdom has been in parliament for 25 years and his health is not good. The same applies to the Minister of Justice, Mr Swart. Mr Eric Louw has been suffering from a very troublesome throat infection. It is generally accepted that when Dr Malan steps down he will be succeeded, for a short interim period, by Mr Havenga. But Mr Havenga's own health is indifferent, and Mr Strijdom's own supporters are no longer as confident as they were that when Mr Havenga in turn steps down, he will be followed by Strijdom.

The way might thus be opened for Mr Donges—who would probably be Dr Malan's own personal choice—or even for the good-humoured Mr Paul Sauer, in view of his probable ability to keep more strenuous-minded rivals from flying at each other's throat in a struggle for power that might split the Nationalist Party. But the emergence of Dr Verwoerd is a new factor in the situation. Last year, few would have tipped this fanatical-minded ex-professor for the premiership; this year, no calculations about Malan's successor can be made without taking him into account.

★ ★ ★

White Plumbers and Coloured Carpenters

As part of his policy of "protecting" the workers against the "Reds," Mr Schoeman, the Minister of Labour, has proposed to make a strike illegal unless a trade union has secured a two-thirds majority for a strike in a secret ballot. The insistence on a two-thirds majority is curious, in view of the Nationalists' violent disparagement of this obsolete and unnecessary provision, in another sphere, where they hold that the *volkswil* cannot be assessed and should not be restricted by a vulgar counting of heads.

But Mr Schoeman intends to go further. Natives, not being "employees" in terms of the Industrial Conciliation Act, are not recognised as members of trade unions; but many Coloured and Indian workers are members of unions along with whites in the same trades and industries. Now the Government will refuse to register such "mixed" unions, and will encourage both whites and non-whites to form separate, breakaway unions in place of the existing "mixed" unions. A special tribunal will also have the power to reserve whole grades of jobs exclusively for racial groups (thus taking an old leaf out of the caste-book which India is trying to discard). In Mr Schoeman's future South Africa, all plumbers for example will be white men, all carpenters will be Coloured.

These provisions have encountered the almost unanimous condemnation of both the trade unions, who foresee with alarm the end of all genuine trade unionism, and also of the employers who foresee with dismay having to work out separate wage agreements with a multiplicity of splinter "unions" organised on a racial basis. (It has been argued that under the new order, the employers will have an easy time beating down wages, but they apparently would prefer to continue to enjoy industrial, and racial, peace). Mr Schoeman appears to be undeterred by this massive opposition from both Labour and Capital.

Pioneering at Kitimat

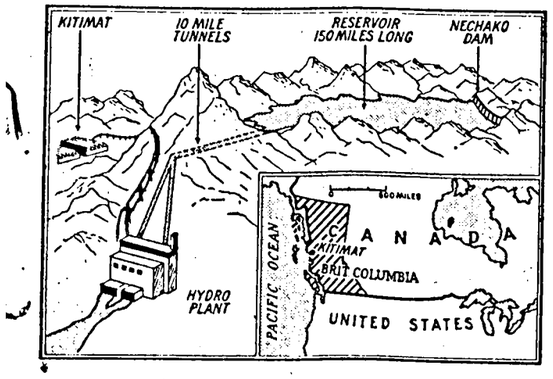
FROM A CORRESPONDENT

MAKERS of aluminium must have a large, dependable and economic supply of electric power. For this reason the Aluminum Company of Canada, Ltd. (Alcan) has started operations in a remote part of northern British Columbia, 500 miles north of Vancouver. Near the Indian village of Kitimat it has just put into partial operation a smelter with an annual capacity of 83,000 metric tons and the largest privately-financed hydro-electric development project in the world. Ultimately the smelter will produce 500,000 metric tons annually and the hydro-electric station 250 million horse-power. To create this industrial foothold Alcan transported 50,000 men and 500,000 tons of supplies into the isolated valleys of northern British Columbia and spent a total of $275 million. When completed, the project will represent an investment of approximately $500 million.

The coast of British Columbia, like that of Norway, is deeply indented with long fjords reaching inland between towering peaks. The heavy precipitation of the region's heavy precipitation, however, drains mainly inland and upward over a rugged plateau. To take advantage both of this fact and of the hydro-electric potential and of the ocean transport, Alcan dammed the east-flowing Nechako river, creating a 150-mile long reservoir, and drilled a ten-mile tunnel through a coastal peak. There, the water is dropped 1,600 feet half-mile downward to the turbines in a powerhouse the size of a cavern carved inside the mountain. Thence, transmission lines take the power 50 miles over a mountain range to Kitimat, where there is room for a smelter and a town whose population may some day reach 50,000.

To plug the Nechako river and create the reservoir, Alcan fashioned the most massive rock-fill dam in the world. At the other end of the reservoir, 3.5 million cubic feet of granite had to be blasted out of the mountain for the tunnels and powerhouse. Placed there so that the surrounding rock could help to contain the enormous water pressures (and provide protection from weather, rockslides and possibly bombs) the tunnels had themselves to be protected; half their total length is lined with concrete, and the powerhouse itself has been placed 1,000 feet farther underground because of unexpected rock faults encountered during the blasting.

To complete the work on the tunnels and powerhouse as soon as possible, blasting crews bored into the mountain from six different points. The powerhouse and lower half



of the sharply-dropping penstocks were attacked from two tunnels from the valley floor. The upper penstocks and western end of the main tunnel were reached from camps perched 1,600 and 2,600 feet up on the face of the mountain and maintained by helicopter and a dangling telpherage system, one of the largest in the world.

On one side of the peak, a road was scraped up the face of a canyon to reach the mid-point of the ten-mile tunnel, a quarter-mile inside the mountain. Rising half a mile in its twisting eight mile length, the road was often blocked by snowslides. From this point, although it is only five surface miles farther to the lake where the water starts through the mountain, the terrain is so steep that the camp at the intake could not be reached from the powerhouse side at all. Of the most difficult camps to maintain, it had to be reached from the reservoir side of the project, over a mile road from central British Columbia to the eastern end of a 20-mile lake. There, men and supplies were put in barges, which were welded together at the site and driven by huge diesel outboard motors. In winter, only helicopters and ski-equipped aircraft could reach the camp. From the powerhouse, the route of the transmission lines from Kitimat crosses a mile-high mountain pass. To reach the pass, a zigzag road rising 1,000 feet per mile was hacked out of the mountain. Even so, some transmission towers sites on outcropping ledges of rock were supplied only by helicopter or cable-lines. The towers over the pass are in two sets—one of conventional steel, the other of specially new all-aluminium design; they carry the largest aluminium and steel cable in the world.

For the smelter at Kitimat, 5.5 million cubic yards of fill were dumped on swampy tideflats, and a 750-foot concrete wharf laid down by building and then capsizing three concrete boxes, each large enough to contain a six-storey building. Ships of Alcan's subsidiary, Saguenay Terminals, Ltd., bring powdery white alumina from the company's new $30 million reduction plant at the bauxite source in Jamaica. Shipping alumina instead of bauxite effects a 50 per cent freight saving on the 4,500 mile voyage.

Sucked out of the ships at the rate of 200 tons an hour by a specially-adapted pneumatic grain unloader, the alumina commences a completely mechanised ride on conveyors, first to a vast storehouse, thence on to the potrooms. The smelter incorporates technical innovations which lead Alcan to forbid photographs inside the potrooms. But their size alone is impressive—the two potlines are each a mile long, consisting of 171 thirty-eight foot pots into which fifteen miles of aluminium conductors carry 1,000 amperes of electricity.

Looking to the Future

Six miles away, an embryonic township now contains fifty modern houses for the smelter workers, and another 300 to 400 will be completed this autumn. Although Alcan and planning consultants are laying out the future arrangement of the town, all property will be privately owned. At the moment, many millworkers are still occupying the construction camp's housing facilities—including the *Delta King*, an old California sidewheel steamer towed to Kitimat for emergency housing.

Alcan has not said when it intends to undertake the expansion of the Kitimat plant, but preparations already made will hasten the task. At the powerhouse, only three turbines and generators are installed, but there is space (and water tunnels) for five more. The transmission lines are ready to take all the power the site will ever generate. To expand the project to its second phase of 275,000 metric tons, only more generators and potlines are required. To reach the 500,000 ton level, however, the present tunnel system in the mountain must be duplicated and the 700-foot powerhouse extended another 400 feet, to accommodate eight more generators.

Although in the three years since it was begun, in the midst of the Korean war, the cost of Kitimat has surpassed the original estimates by 60 per cent, and the edge has been taken off the vital American aluminium market, Alcan is confident that long-range aluminium consumption will justify the project. With further expansion in the United States made unattractive by high power costs, Kitimat gives Alcan and Aluminium Ltd. a strategic position on the aluminium frontier.

The Finns Flirt with Moscow

BY A CORRESPONDENT

THE new Five Year Trade Agreement between Finland and Russia which has just been signed in Moscow only confirms the pattern of trade between the two countries. Trade is at present based on the five year agree-

ment of 1950 and on two later supplementary agreements. The new pact does, however, amplify the arrangements made earlier this year by which the Soviet Union will pay half of its trade deficit with Finland in western currency; and it also guarantees for the next five years a market for the products of the shipbuilding and the metal industries whose postwar expansion has caused considerable uneasiness. Nevertheless there are certain features of the Russo-Finnish economic arrangements that are disconcerting. For instance, the meaning of the Soviet loan to Finland—despite its heavy commercial debt—has never been made clear.

What is remarkable is the political agreement which was announced in the same communiqué as the trade pact: the decision to raise the status of the Soviet Legation to that of Embassy: and the unusually fulsome tribute which Dr Kekkonen paid to Mr Molotov in Moscow. The joint political declaration says that the two governments are convinced that it is imperative at the present time to join the efforts of all countries to safeguard peace and security. It goes on to say that the two governments, acting in the spirit of the 1948 Treaty of Friendship and Mutual Assistance, "declare their desire to promote in every possible way the maintenance of international peace and security in conformity with the principles of the United Nations"—of which Finland is not in fact a member. No radical departure from Finland's right to remain outside international conflicts, which is clearly stated in the 1948 friendship treaty, is probably envisaged; but the linking of a new statement of political policy to a routine trade agreement is for the Finns an entirely new departure. Perhaps Mr Molotov intends to make Finland the first western member of his proposed European system.

The new agreement has been reached several months earlier than was expected and is the outcome of talks started by the previous government of Mr Tuomioja, and now concluded by the Foreign Minister, Dr Kekkonen, who is clearly the dominant figure in the new government. One subject of particular interest to Finland was not mentioned in the communiqué. After his resignation as Prime Minister last November, Dr Kekkonen revealed for the first time, in an exclusive interview published in the leading Agrarian newspaper, that he had been negotiating with Russia on the use of the Saimaa Canal, half of which is now in Soviet territory. The Soviet terms were not given in detail, but they involve a "practical policy in accordance with the 1948 agreement." When he was asked on his return from Moscow last month whether the Saimaa Canal had been discussed Dr Kekkonen was reluctant to answer, and it is uncertain whether the new agreement, the full text of which has not been published, includes any reference to this subject.

The form and substance of the communiqué also suggests that this may be the first step towards a proposal for the admission of Finland to the United Nations, and an abandonment by Russia of its insistence on block admission. But the chief question is the trend of Dr Kekkonen's foreign policy. Although the leader of a right wing party which has always been strongly anti-Communist in its policy he is convinced that he is the one man who can further Finland's interests in Moscow, and the new agreement will help to strengthen this conviction. But there are Finns who wonder whether this may not in the long run commit their country to greater dependence on Russia in the political as well as in the economic sphere.

Journal of Geneva—XI

JULY 15th to 20th. A long series of high-level private talks. At the only full restricted session of the conference on July 18th, Mr Bedell Smith, who had returned to Geneva the previous day, made a conciliatory statement on the American attitude to any settlement that might be reached.

July 21st. During the night of the 20th-21st three cease-fire agreements between the Viet Minh and Vietnam, Laos and Cambodia were finally agreed and later signed. The texts of the agreements, which will come into force gradually, have not been published but together with a published political declaration they are believed to provide for the following settlement:

Vietnam. (a) There will be an armistice line about 12 miles north of Highway 9 and roughly along the line of the 17th parallel. About 12,750,000 people will be left under the Viet Minh and about 9,300,000 under Vietnam. (b) The French forces in the Red River delta will withdraw to the coastal strip round Haiphong and will withdraw altogether within ten months. Viet Minh troops in South Vietnam will be concentrated in several enclaves and evacuated within eight months. (c) Elections throughout Vietnam will be held by July 20, 1956. By July 20, 1955, Vietnam and Viet Minh representatives will start talks on the organisation of the elections. The elections will be supervised by an international commission composed of representatives of the armistice commission (see below).

Laos and Cambodia. All Viet Minh troops will be withdrawn. There will be one regroupment area for Laotian dissidents in north-east Laos; provision is made for their eventual reintegration under the Laotian government after the elections in August, 1955.

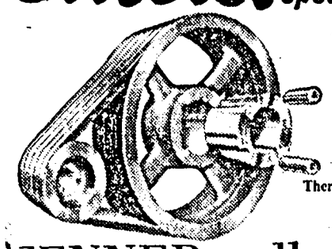
Supervision of Armistices. India (chairman), Canada and Poland will provide international armistice commissions, one for each Associated State. Most decisions will be taken by majority vote, but the most important will be referred, in case of disagreement, to the nine conference powers; the members will have the right to make majority and minority reports. The more detailed supervisory work will be mainly left to mixed commissions of representatives of the two sides.

External Relations of the Associated States. All parties will respect the independence, sovereignty and territorial integrity of the three Associated States. French troops will remain only by agreement with the governments concerned in specified numbers for a specified time. Laos and Cambodia will not join any military alliance not in conformity with the principles of the United Nations and no "foreign" troops or military supplies will be introduced into Vietnam, or requested (except for defence) by Laos or Cambodia.

No formal guarantee of the agreements was given at a plenary session which ended the conference; members, in effect, gave their backing (with American and Vietnam reservations) to the settlement. In a unilateral declaration issued at Geneva the United States government declared that it would refrain from disturbing the cease-fire agreements by force or the threat of force and would view any forcible violation of them with grave concern.

(Concluded)

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THE BUSINESS WORLD

Oil on the Margin

AN ordinary industrial customer buying heavy fuel oil in the Southampton area today pays 9¾d. a gallon for it—more than £9 a ton. At this price he gets a fuel that has about 1½ times the calorific value of coal, though for many specific uses in industry it possesses far greater comparative advantages over coal, because it is easier to handle, control and burn. But as a fuel for a power station boiler, oil has no special technical advantages whatever and some disadvantages, particularly in a station not primarily designed for it; and it is certainly worth no more than its equivalent thermal value of low-grade coal, which a power station can burn better than any other furnace.

The power station now being built at Marchwood on Southampton Water is expected to come into partial operation in the spring of 1956; during that year three or four of the five 60,000 kilowatt generating sets it is eventually to house will probably be brought into commission. In full operation Marchwood would probably take 600,000 tons to a million tons of coal a year. This coal would have to come quite a long way, perhaps from South Wales, but it could be delivered by sea in large colliers, the cheapest way of transporting coal. The average delivered price that the British Electricity Authority paid for coal in 1953 was 61s. 10d. a ton. Since then the prices of coal and transport have risen, and by the spring of 1956 they are fairly certain to have risen more. Even so, Marchwood might reasonably be expected to obtain coal then for something of the order of £4 a ton.

No prices were quoted, however, by the Minister of Fuel and Power when he announced two weeks ago that the Esso Petroleum Company had undertaken to supply Marchwood with oil, if BEA wants it, at a price that would "make the cost of generation of electricity the same as if coal were used." This implies that the comparison might cover the extra capital charges for dual-firing, which add about 1 per cent to the cost of a new power station—and Marchwood will cost some £30 million. Transport costs of fuel oil from Fawley to Marchwood will obviously be negligible, against the lengthy haul in coal. But the undertaking would seem likely to involve Esso in supplying this fuel (apparently a normal grade of heavy fuel oil) at a price of £6 or so, compared with the present ruling price of over £9. Some 400,000 to 650,000 tons of oil a year might be used; but it is not yet clear that this will be a firm contract, as the Minister and BEA both emphasise that dual-firing would enable Marchwood, and later other stations, to "burn oil at short notice should it prove desirable."

This raises some fascinating questions. Is fuel oil becoming so abundant that the industry's ruling prices, which characteristically respond gradually rather than quickly to changes in demand, can now easily be punched through by a consumer with some countervailing power? Can BEA hope to get the fuel oil that it already buys for Bankside and other power stations at similar cut rates after 1956? Is the relationship between coal and oil prices, upon which the traditional choices between these fuels for different types of combustion have been based, now due for some radical upset, which in its turn might transform the balance of fuel demand?

With the Aden refinery coming in, and Abadan coming back, refineries in Britain may well have to sacrifice some of the export markets that they have recently been supplying with fuel oil. This residual product, which is at present rather less abundant than some of the more highly refined products, may certainly present some problems of disposal in a year or two. Beyond that period, it is a matter of judging

the market. Today, the products of which the industry has a somewhat burdensome surplus are certain light oils; and over the next year or two it may be more apprehensive about the future prospects of demand for these than of the outlook for the heavy petroleum products. Western Europe has since the war developed its own pattern of oil consumption, using a larger proportion of heavy oils than does the United States and a much smaller proportion of motor spirit. It is hard to relate fuel oil prices to any specific "costs of production," since it is only one of the many products of the refining process. Oil prices depend on relative demands; and if present levels of motor taxation remain, and demand for the heavy oils goes on rising more rapidly than demand for the light oils, the oil industry might have to make these black oils bear more of the burden of cost than they do today. In such circumstances, the trend of heavy oil prices might be upward rather than downward. Any major extension of private motoring down to a new level of consumer—such as might result in Britain from a combination of Mr Harry Ferguson and an adequate road programme—could restore the balance of consumption, and make residual oil prices more flexible. But such desirable changes hardly seem imminent.

*

So it would seem prudent for the moment to count the Marchwood arrangement—a promise of a sharply cut price to a single consumer who may not even be committed to a firm and continuing demand—simply as a generous contribution by a single oil company, in its own special circumstances, to the safeguarding of Britain's energy supplies. It would be encouraging, but too optimistic, to think of this price as a basis upon which the electricity supply industry in this country could reconsider its long-term choices of primary fuels for conversion into power. The electricity industry, it may be said, does not like oil much as a fuel, or indeed any conversion of power stations to burn widely differing fuels. A boiler, ideally, is most efficient when it is designed to burn one grade of fuel, or a narrow range of grades, for the whole of its 20-year working life. It has been said unkindly that power supply engineers have pulverised coal running in their veins. They would doubtless reconsider many of their misgivings about sulphur content and vanadium deposits if the price of oil were "right"; a comparably priced alternative fuel would strengthen BEA's hand immensely in dealing with the coal monopoly. Unfortunately, Marchwood cannot be taken as proving that the price of oil, on a large scale and in the long run, will be right for BEA. The possible conversion to dual-firing of another 16 coastal and estuarial stations, or those near refineries, is best considered as a rather costly insurance premium against failure by the coal industry to supply all of the extra 14 million tons of coal a year that BEA will need by 1960.

If the permanent contribution that oil can make to electricity supply in Britain is likely to be a small and supplementary one, its contribution to another customer of the National Coal Board, the gas industry, may be much more significant. This industry at present uses gas oil mainly to enrich the carburetted water gas that it makes rather expensively from coke, to assist coal carbonisation plants to meet peak demands. It has now developed two catalytic processes for making gas directly from heavy oil, and 13 plants embodying these systems are now being put up throughout the country. These processes may be more economic than the production of water gas, partly because they will release coke; and in two years' time the plants now being constructed will be saving nearly half a million tons of good carbonisation coals. This seems a more obviously economic field for replacement of coal by oil than the electricity industry. The gas industry also has bounding hopes of natural gas, in which it has the technical assistance of the oil industry; and it is a significant buyer of certain refinery gases for blending into its own town's gas supply. It is true that the most promising technical developments in gas-making may still lie with coal, in the total gasification of the inferior coals that the industry will soon have to consider using. But this diversity of possible raw materials does give the gas industry a freer choice of techniques than the electricity industry can expect from conventional fuels.

Electricity may not have too long to wait for a non-conventional alternative. The Minister of Fuel and Power was more circumspect about the prospects of nuclear energy than those atomic knights who average about one dramatic new statement (or one rehash of the dramatic old statement) every month. But he said that before 1960 "design and, it may be, construction of nuclear power stations of an advanced type will be undertaken before 1960"; and he spoke of "the t… when massive contributions are made by nucl… power"—stations that because of their very high capit… costs and comparatively low fuel costs would be run full… out day and night as base-load plant. The British Electricity Authority has appointed a nuclear power enginee… and is now studying more carefully the arrays of guesse… that the atomic scientists can so far provide about t… possible economics of nuclear power generation.

Indeed, the one conventional feature of the fuel p… that BEA has been fortunate enough to obtain… Marchwood is that it does not seem to bear… obvious relation to the real costs of supply. It … almost spoil the Minister of Fuel and Power's a… if it did. Forward planning is inevitable in… energy industries of today, and the Minister is … mitted to some measure of co-ordination of the … nationalised fuel industries that claim public fun… Treasury guarantees. The only practicable w… co-ordinating such demands, as was said by a m… of the Ridley Committee long ago, is "to gather … independent technical advice you can and then a… a rate of interest." But today such modest co-o… tion and allocation of resources is made impo… because the prices of the fuels being compared

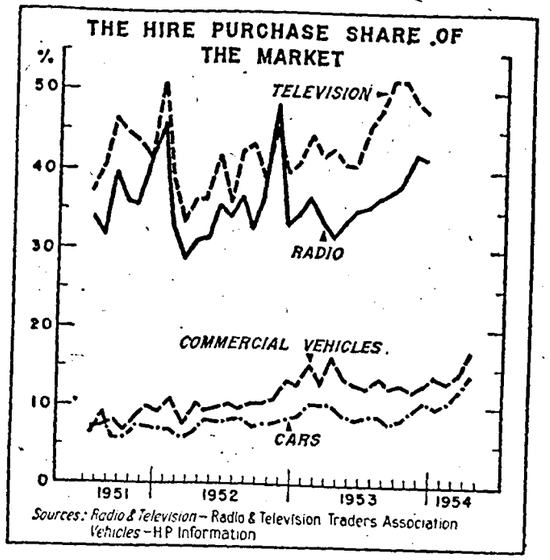
hence the demand that can be envisaged for them at such prices, are not based upon the relative costs of supply. Coal is too cheap; electricity prices do not reflect the pattern of system demand; gas and coke—and oil if it came within the Minister's purview—are joint products of which the price may depend upon idiosyncracies in accountancy; atomic power prices are an informed guess. In the circumstances, the least bad fuel policy that a Minister can adopt is perhaps to insure against absolute failures of fuel supply for a few years ahead—as Mr Lloyd has done—and to apply pressure, at the many points where such pressure is needed, towards more realism in pricing policy.

One Instalment for HP

LAST week the Board of Trade abandoned control of hire purchase trading. It might have been expected that in logic the Treasury would, for its part, withdraw its requests to the banks and its instructions to the Capital Issues Committee that have sought to thin down the flow of hire purchase finance. Whether it be weed or flower, hire purchase has remained a flourishing growth and has easily survived two and a half years of half-hearted dosing with weed killer by the Treasury and the Board of Trade. The difficulty is to measure the extent of the hire purchase and instalment finance business. It is one of the serious gaps in British economic intelligence. There are indeed some good figures relating to hire purchase business in motor-cars, motor-cycles, commercial vehicles and caravans; one can get a reasonable trend line for the instalment sales of gas and electrical appliances; there are some figures relating to farm and industrial machinery and a sample that gives some indication of what hire purchase means to the wireless and television trades. From the rest of the hire purchase field, which includes domestic furniture, there is nothing better than guesses implying that up to 70 per cent of the trade with individuals may be done on easy payments. For the clothing trades the statistical cupboard is bare; hire purchase proper has a footing there, but other forms of extended credit sale* have a stronger influence.

Hire purchase proper is an organised business with a trade association and journal and an information company that keeps traders and finance houses informed about the movement of some of the goods they have financed. Within a few seconds of a car being offered for sale to a dealer, H.P. Information can tell him whether the title is free. This same body issues some valuable statistics on motor-cars and motor-cycles. Hire purchase is now financing a larger share of the car market; the graph shows the proportion of new cars, commercial vehicles and motor-cycles registered that are carried on hire purchase. In new private cars, the hire purchase ratio rose last year from 7.9 per cent to 9.1 per cent; in commercial vehicles, the proportion rose from 11.1 per cent to 13.5 per cent. The figures from the radio and television trades suggest that perhaps 40 per cent of all radio and television sets are now sold on hire purchase agreements; if all extended payment agreements, formal and informal, were included, it might be 50 per cent.

Hire purchase contracts fall into two classes. First, there is hire trading without recourse, where the trader in effect sells the goods to the finance house, which hires them to the customer and collects the instalments.



Secondly, there is hire trading with recourse—or block discounting—where the trader makes the arrangement with the customer and then puts himself in funds by selling the customer's obligations to a finance house. But between those two categories there is a large number of variants. Sometimes the finance house will undertake the collection of instalments, though the trader remains a party to the transaction. Sometimes, the hire purchase bargain may be backed by an insurance against the customer's ill-health or unemployment.

No figures exist of the amount of money which is

* main clothing schemes are: the "budget" plan, which …ding rapidly; and the system of check or ticket trading …ell entrenched in certain northern areas. In the budget … customer agrees to make regular monthly payments and … the right with his first payment to a revolving credit of …x or eight times the amount of his monthly instalment. …us normally overdrawn with his clothier and the finance … usually within the industry, often by relatives of the …per. In the check or ticket system a small entrepreneur … the finance. He sells a ticket entitling his customer to …ds at a shop, collects the instalments from his customer …ns a discount from the shop, often of between 12½ per …d 17½ per cent.

used in financing hire purchase. Some £50 million of resources are employed by the Finance Houses Association, but this consists of the big houses interested largely in capital goods, not in consumers' goods. Much hire purchase business is financed by traders themselves. Last year's accounts of Great Universal Stores, which does an active hire purchase trade in furniture, showed that at March, 1953, some £33.5 million was tied up in hire purchase accounts and the total must now be much higher. The gas and electricity area boards, using government guaranteed capital, have over £40 million tied up in hire purchase accounts, though in the latest year they seem to have kept the totals down. Great sums in the aggregate must be employed by the smaller traders and by the host of small finance companies with capitals of less than £50,000 each that have been slipping through the needle's eye of Treasury control.

Government policy since the beginning of 1952 has tried to curb hire purchase by two devices. The first control was exercised by the Board of Trade and has recently been withdrawn—on the good ground that it had become impossible to administer. For a list of specified goods the Board of Trade fixed a minimum initial deposit of 33⅓ per cent, and a maximum period of 18 months over which payments could be spread; for bicycles the deposit was 25 per cent and the period 12 months. The recent decision in *Regina v. Proffitt* drove a coach and horses through the plan for it held that an extended hiring agreement with various options when it ended was not bound to the minimum deposit and maximum length. The other weapon in the Government's armoury—the Treasury request to the banks and its instruction to the Capital Issues Committee—has been a little more effective; certainly it is effective enough to keep the price of hire purchase money high. The banks were required to reduce their advances to the finance companies which discount hire purchase paper by 10 per cent, and the companies were prevented from raising additional capital. But the protests of the chairman of United Dominions Trust as each year his application for a capital increase has been turned down, does not mean that the instalment finance companies have been unable to do business or that they have starved of useful deposits. Money from public companies and from pension funds has come in freely and the finance companies have paid well for it; rates of 5 per cent and 6 per cent are frequently offered, and the marginal fringe may cost even more. These rates apply to deposits of from three to six months. Such a term may have been appropriate so long as the hire purchase agreements themselves were kept short; but with the removal of these restrictions, agreements are bound to become longer and the risk attached to using short-term money will increase.

TYPICAL RANGE OF H.P. CHARGES

Item	Quoted Charge 'Recourse' System	Expressed as a rate of interest on average amount outstanding	Quoted Charge without 'Recourse' System	Expressed as a rate of interest on average amount outstanding
Motors	9	13	...	...
Motors (special rate for buying denationalised transport)	...	...	...	...
Other consumer goods	7½–9	14–16	6	11
Bicycles	20	37	...	...
			...	...

Source: Motor Figures are estimates of *The Economist*. Other figures compiled by Hire Purchase Trade Association.

Hire purchase finance has been good paying business under these controls. The stream of new entrants into the field marks the fact that it has often been possible for the owners of a small finance company to earn 15 per cent on their investment; it would need a cynic deliberately to encourage an expropriated transport owner to use his compensation in setting up a hire purchase finance company to enable other people to buy his lorries back rather than buy them back himself. Yet that is the effect that the controls have produced. The loss ratio is low and the rates charged to the customer are high—often higher than he realises, since the charge is quoted as a percentage of the balance outstanding after payment of the initial instalment, whereas the average debt outstanding during the whole life of the contract is little more than half the initial amount. Table II shows typical rates quoted for various types of goods converted to percentages of the average debt assuming a year's agreement and monthly payments. If these rates appear usurious, it must be remembered that they are not pure interest; they include costs of collecting and administration. By comparison the charges in the two nationalised industries, gas and electricity, though not exactly uniform (for the area boards have their own ideas), are moderate—as they should be, since the boards have the advantage of Government guaranteed money for their instalment financing. The electricity boards charge about 7 per cent on the average debt outstanding, which breaks down into a pure interest figure of 4 per cent with 3 per cent for administration and maintenance. The gas boards range from 7 per cent to 8 per cent, including 4½ per cent to 5 per cent for pure interest and 2½ per cent to 3 per cent for maintenance and administration. The electricity boards in particular sell equipment in competition with private business which is apt to call the charges too low and the agreements too long.

The effects of full competition in hire purchase finance remain incalculable. If the Treasury were to withdraw the ban on the open raising of finance, some of the hundreds of new companies might well find it hard to hold their own against the established finance houses. Almost certainly, many hire purchase charges could then come down; indeed, the low loss ratio of less than one half of one per cent even on consumer goods already justifies a reduction of the ultra-cautious margin for bad debts that is now included in the price. It is difficult indeed to find any logic in the Treasury's attitude. People are officially encouraged to buy their houses on cheap financial terms; but ineffective barriers are put up to prevent their use of hire purchase to purchase what goes in the house—"ineffective" because any agile finance company can jump them, at the cost of higher rates for the buyer. It cannot seriously be contended that Treasury control of this kind does any good whatsoever; it makes hire purchase finance scarcer than it would be and therefore dearer than it need be.

NUMBERS OF ITEMS SOLD ON HIRE PURCHASE AGREEMENTS
(*Source:* H.P. Information)

	Cars			Commercial Vehicles			Motor-Cycles and Side Cars			Tractors			Industrial Machinery	
	New	Used	Total	New	Used	Total	New	Used	Total	New	Used	Total	New	Used
3rd Qtr., 1951	2,317	18,474	20,791	1,605	4,117	5,722	11,062	13,922	24,984	807	546	1,353	327	294
4th Qtr., 1951	2,169	15,707	17,876	1,782	4,859	6,641	9,555	7,755	17,310	669	726	1,395	286	171
1st Qtr., 1952	2,610	17,952	20,562	2,350	5,032	7,382	11,558	8,581	20,139	1,101	962	2,063	1,106	266
2nd Qtr., 1952	3,123	21,762	24,885	2,010	4,259	6,269	17,430	13,029	30,459	997	871	1,868	1,164	142
3rd Qtr., 1952	3,504	25,549	29,053	1,939	4,431	6,370	10,403	21,134	31,537	882	804	1,686	1,108	140
4th Qtr., 1952	4,811	25,324	30,135	2,509	4,615	7,124	6,794	12,671	19,465	857	863	1,720	1,305	135
1st Qtr., 1953	5,660	33,840	39,500	3,473	5,220	8,693	6,014	18,986	25,000	1,398	1,193	2,591	1,271	111
2nd Qtr., 1953	6,727	44,567	51,294	3,428	6,618	10,046	11,818	31,246	43,064	1,173	1,234	2,407	1,338	44
3rd Qtr., 1953	6,192	46,808	53,000	3,141	6,973	10,114	9,031	30,611	39,692	969	1,009	1,978	1,145	206
4th Qtr., 1953	7,907	42,423	50,330	3,482	7,423	10,905	5,292	21,870	27,162	927	1,090	2,017	1,159	135
1st Qtr., 1954	10,616	49,407	60,023	3,906	8,579	12,485	8,211	22,056	30,267	1,019	1,211	2,230	1,287	83
2nd Qtr., 1954*	12,910	68,820	81,730	4,930	9,080	14,010	14,770	39,880	54,650	1,270	1,320	2,590	1,130	240

* Estimate based on first two months.

Business Notes

Markets at a Pause

Both Throgmorton Street and Wall Street waited on the outcome of the Geneva conference. During the anxious period of waiting stock market prices on both sides of the Atlantic slipped back. On Wall Street aircraft shares, after a speculative rise, took the worst tumble. In the London market equity prices wilted before profit taking at the end of the "bull" account and small losses made their appearance in the long dated and irredeemable gilt-edged stocks. The signing of the cease-fire settlement had little appreciable effect on commodity prices (for only metals and rubber were weaker). But it was the signal for recovery in stock market values; and the recovery was cheered on its way by the success of the World Bank issue of a 3½ per cent stock maturing at 98, which opened at ⅜ premium.

With the holiday almost upon them, investors and dealers have an opportunity to re-assess the movements in the stock market prices. They can go on holiday with the comforting thought that the World Bank issue was over-subscribed, but with the less comforting proviso that the terms was for only a small amount of money. They can feel sure that there will be very few dividend announcements likely to disturb their cogitations; but they may wonder whether the authorities will soon give the green light for an electricity or gas issue—and on what terms. The more flighty supporters of gilt-edged have, apparently, already qualified their earlier notions that the authorities were planning a Daltonian assault on War Loan; they would probably be on a safer tack in supposing that the authorities

GILT-EDGED AND EQUITY PRICES†

	April 6, 1954	May 12, 1954	July 15, 1954	July 20, 1954	July 21, 1954
Conversion 2½% 1958/59	...	...	100¼	100⅛	100⅛
Savings Bonds 3% 1955/65	96⅛	98⅛	99⅛*	99⅛*	99⅛*
Savings Bonds 3% 1965/75	89⅛	91⅛	93⅛*	93⅛*	93⅛*
Transport 3% 1978/88	86⅛	87⅛	90⅛	90	90⅛
Funding 3½% 1999/2004	...	...	97⅛	97⅛	97⅛
Gas 3% 1990/95	85⅛*	87⅛	90⅛	90	90⅛
Consols 2½%	64⅛	67⅛	68⅛	68⅛	68⅛
War Loan 3½%	87⅛	87⅛*	90⅛	90⅛	90⅛
Anglo Iranian £1	11⅛	11⅛	12⅛	12⅛	12⅛
Assoc. Elect. £1	45/6	48/6	57/6	56/3	57/6
Assoc. Portland Cement £1	73/1½	78/9	89/4½	85/-	85/-
British Motor 5/-	7/7½	8/1½	10/1½	9/9	9/10½
Courtaulds £1	27/6	29/3	33/6	33/-	33/-
Distillers 4/-	19/6	20/6	23/-	22/6	22/6
Hawker Siddeley £1	59/6	61/-	81/9	81/6	81/6
Lancs Cotton £1	54/6	56/3	57/-	55/6	55/6
Turner & Newall £1	76/6	83/-	84/-	84/-	84/-
Unilever £1	66/6	72/-*	82/-	80/-	80/-
Vickers £1	55/7½	57/6	34/6a	32/-	32/-
Woolworth 5/-	74/3	79/9	75/9*	75/-*	74/9
"Financial Times" Ord. Share Index	**142·6**	**147·4**	**160·8**	**157·8**	**158·2**

* Ex dividend. (a) After 100% Share Bonus.

have more concern about the head of steam that is already pressing on the gilt-edged market than they have ambition to increase it. With equities the question is whether prices are high or too high. Can profits and dividends in the next few months possibly crown their performance of the last six months? The British economy and the markets look healthily ruddy; but that is just the moment for a cynical realist to start murmuring about the symptoms of blood pressure.

Bank Deposits and Conversion

NET deposits of the clearing banks rose by nearly £130 million in the six weeks to June 30th, to a new peak of £6,234 million for this season of the year, despite the fact that in early June the Treasury made its cash issue of £300 million of 2 per cent Conversion Stock, 1958-59 (simultaneously with its conversion offer to holders of Defence Threes). A substantial rise in deposits is normal in June, and this latest rise, though above average, is well below the exceptional movement of £158 million shown in June, 1953. Moreover, this year bank advances rose sharply, by £44 million, whereas in the similar period last year they fell by £9 million in consequence of heavy repayments by the electricity authority from the proceeds of its market borrowing. The fact that deposits rose less this year than last is therefore due to a reduction in the credit demands of the central government. If allowance is made for changes

LONDON CLEARING BANKS

	June 30, 1954	Change since May 19,	Change in Half-year ended: June 30, 1954	Change in Half-year ended: June 30, 1953
	£ mns.	£ mns.	£ mns.	£ mns.
Deposits	6,533·2	+198·0	−161·0	−160·0
"Net" deposits*	6,233·9	+129·5	−136·3	−131·1
Liquid Assets	*2,156·0*	*+ 70·6*	*−303·8*	*−134·7*
Cash	532·3	+ 30·7	− 10·6	− 35·5
Call money	454·5	− 8·5	− 46·2	− 59·9
Treasury Bills	1,079·9	+ 46·0	−258·3	− 33·5
Other Bills	90·3	+ 2·4	+ 11·3	− 5·8
Investment plus advances	*4,148·5*	*+ 50·5*	*+166·5*	*− 25·8*
Investments	2,311·5	+ 6·8	+ 36·3	− 11·8
Advances	1,837·0	+ 43·7	+130·2	− 14·0

* After deducting items in course of collection.

in portfolios of commercial bills (which of course represent finance for the private sector), the government's demands upon the banking system during this latest six weeks appear to have been around £80 million, compared with £170 million last year. This decline in the government's credit needs roughly corresponds to the reduction in the apparent cash deficit on its total domestic finances (excluding, however, its operations in gilt-edged), but the estimated amount of this deficit was appreciably smaller than the indicated borrowings from the banking system, and the difference is larger than could be explained solely by the financing of the surplus on Britain's external balance of payments.

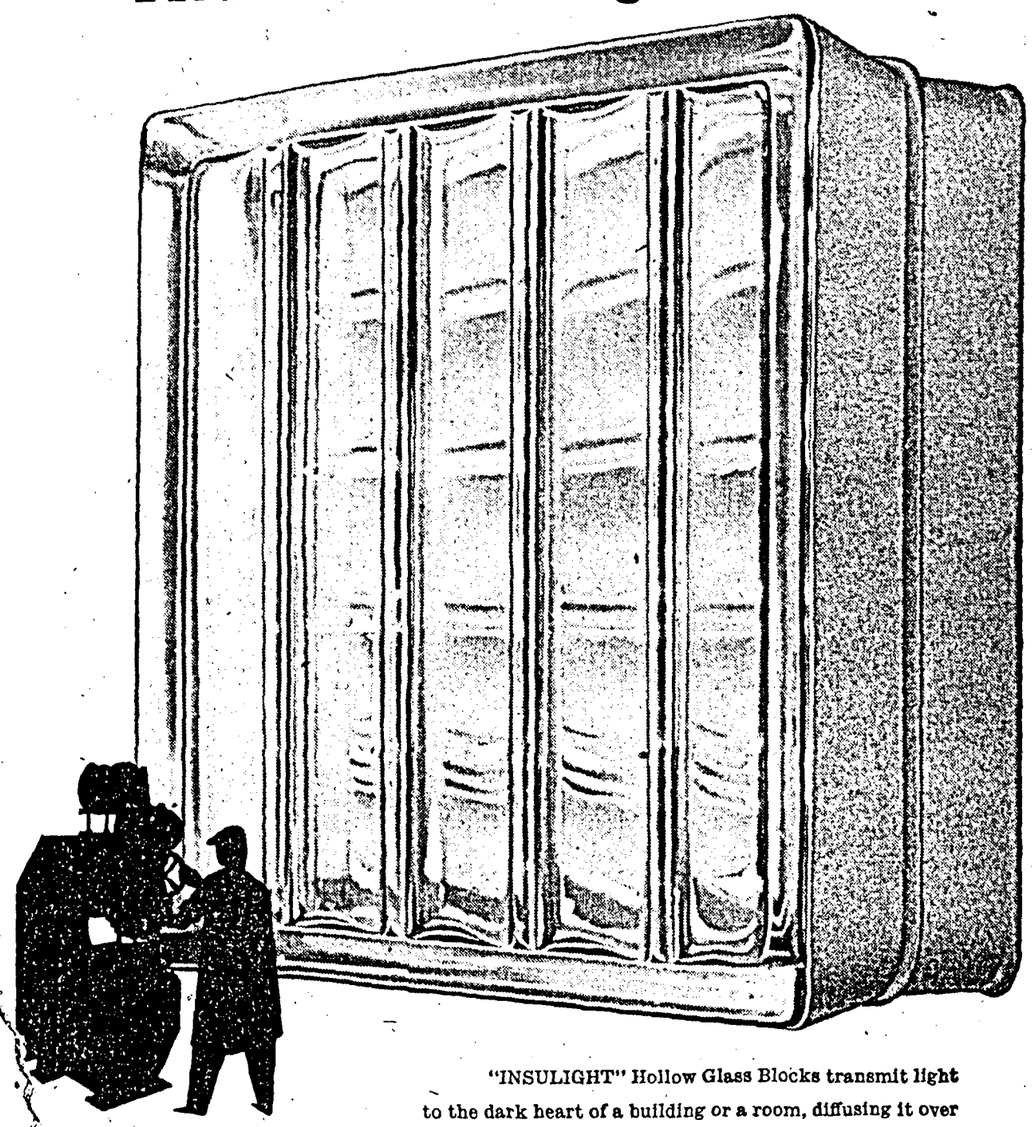
In other words, it appears that during this six-week period the central government (including the "departments") secured no net cash from its gilt-edged operations. The implication is that the amount of 2 per cent Conversion Stock issued or sold for cash to non-governmental purchasers was offset—and perhaps rather more than offset—by net "departmental" purchases of other securities during the fortnight before or the four weeks after the issue was announced. This is a rather surprising conclusion, for although the departments were known to have been actively absorbing the heavy offerings of the maturing stocks, it was equally clear that the conversion tactics had set up a strong institutional demand for certain other stocks—as well as the new 2 per cent stock. The banks, for their part, have taken the opportunity to switch, rather than to expand, their investment portfolios: these rose during the six weeks by only £7 million, whereas their actual take-up of the new stock must have been many times that amount. It should be emphasised that the gaps in the data from which these deductions are drawn involve a considerable margin for error; and it should be noted, too, that the net effect of the conversion tactics cannot be properly judged until the reverberations of the second operation, launched early this month, have ceased. The two operations were quite plainly conceived as a whole.

A Million Motors?

THE motor industry seems set fair to produce this year a million vehicles for the first time. Production of cars and commercial vehicles during the first six months passed the half-million mark, in spite of sporadic selling problems early in the year. This rate of production probably represents the limits of the new postwar capacity that has not, until this year, been fully used. Certainly the major factories are working to capacity—all of them have reported the attainment of highest-ever levels of output—and it is questionable whether they can increase it further without major plant extensions. Half this output of vehicles was exported, earnings from the sale of cars and lorries alone reaching £98 million during the half-year; b comparison with last year, the actual increase is some £1 million. To this must be added a further £24 million th the industry earned from the sale of tractors and an unspe fied but substantial sum for spare parts.

The buoyancy of the home market for cars was t expected, but the revival in exports needs examin First, the easing of Australian import quotas has ca jump in shipments there from 22,500 during the first h last year to nearly 44,000 this year. Sweden's b imports of German cars has caused a rise in sales t market from 11,000 to nearly 23,000. Other st markets like New Zealand and Eire show rising f while there has also been a solid but less spec improvement in exports to western Europe. Shipme North America have fallen. The United States, B third biggest customer, took 14,000 cars in place o 18,000 the year before. Canada took only 12,000 co with nearly 21,000 in the first half of 1953. The industry in North America is in the doldrums, and im cars are feeling the effects.

'INSULIGHT' lightens labour



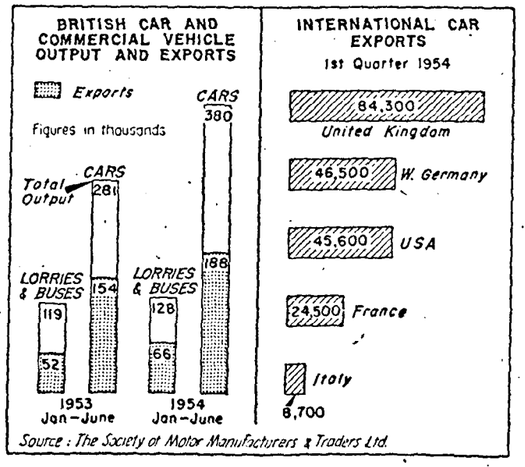
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The British industry's export market seems to have a sufficiently broad international base to enable it to ride out local fluctuations in individual markets ; but this raises the question of how to plan for the coincidence of the home and export peak demand. This summer's waiting lists, the last hangover of rationing, are the outcome of this timing.



The industry is already considering the unpalatable course of producing for stock during the winter. Such stocks that will almost certainly have to be carried by the manufacturers themselves. They may still persuade their home dealers to finance these stocks but will they ever get foreign agents to buy cars from them during the slack season ?

Second Thoughts for Rio Tinto

EFFECTIVELY Rio Tinto will receive £8 million from the sale of two-thirds of its Spanish assets to a group of Spanish financial interests, for in addition to the capital sum of £7,666,665 (the greater part of which will be paid in instalments in the next four years) it will also receive just over £333,000, representing profits accumulated up to January 1, 1954. These sums are payable in sterling as are the dividends on the "B" shares (through which Rio Tinto will retain a one-third interest in the new Spanish company) as long as these freely transferable shares remain in non-Spanish hands. Shareholders will welcome the price and these arrangements but they will be disappointed by the statement from the directors that their proposals for dealing with the proceeds from the sale are not yet ready. In explaining this delay, the statement says:

> The Board had hoped to be able to put forward proposals immediately, but legal and tax problems of considerable complexity arise in connection with the transaction and these require much study and will take some time to resolve.

A few shareholders no doubt have been hoping for a straightforward capital distribution. But there are practical difficulties in the way of such a distribution, however desirable it may appear in principle. About 40 per cent of Rio Tinto's ordinary shares (which have a strong merchant banking tinge to them) are owned in France and any distribution received by the French shareholders from the capital proceeds would be subject to a form of surtax. A capital distribution, which in any case would be possible only after the money had been remitted to this country and therefore at the best could be made only in instalments, would also reduce the cover on the preference shares, all of which possess votes. A reduction in capital might overcome the surtax difficulty, but with an ordinary capital of only £2,125,000 the company has not much room for manœuvre in this direction. A much more complicated scheme for rearranging the company's capital would appear more likely, but such a scheme would take time to prepare.

Beyond these problems, which in the end can be resolved with patience, is a question concerning the whole future of Rio Tinto. It will soon have a minority shareholding in Spain in addition to its investments in the Rhodesian copper companies ; but it also has a wide ranging interest in new exploration. The company may feel inclined (perhaps obliged if it wishes to retain control) to hold some of the proceeds back to finance the initial stages of development if the prospectors made a strike ; the costs of such developments are high and normally are not financed by direct public subscriptions for new capital. Perhaps some scheme can be worked out which leaves the shareholder with the option to stay in Rio Tinto, backing its new ventures, or to pull out, taking part of the capital proceeds with him. That is how it should be.

Terms of Trade Worsen

THE terms of trade, which rose by two points in April, moved a further point against this country last month to reach 100, the average for the whole of 1953. From a low point of 97 in March, the ratio of import to export prices has risen to the level of last July. The index of import prices rose by one point to 99, owing mainly to higher prices of raw cotton, wool and rubber, while the index of export prices was unchanged at 99 for the eighth successive month A further adverse movement—though not a sharp one—i probable, if only because of the delayed effect of higher com modity prices upon the import index. And while more pu chasing power among primary producing countries shou expand the opportunities for British exports, competiti from other manufacturing countries may make it difficult to raise export prices and the volume of exp Although the improvement in Britain's terms of trac been checked this year, the gross visible trade defic continued to fall, thanks to the recovery of exports. value of exports was seven per cent higher this yea in the first half of 1953—though it was only two pe above that of the second half—and the volume wa per cent higher. The value of imports was one p less than in the first half of last year, but as import fell by about four per cent, the volume was nearly per cent higher.

The reduction of £18 million to £46 million monthly average trade deficit reflects a closer bal trade with both the sterling and non-sterling areas. to the sterling area were 12 per cent, or £12 million a higher than in the first half of 1953, while impor

the sterling area rose by less than £1 million a month. Exports to the dollar area fell by little more than seven per cent, despite the fall of 12 per cent in shipments to North America ; imports from the dollar area fell more sharply, by £4.1 million to £45.3 million a month, and the trade deficit was reduced by £1.5 million a month. Exports to the OEEC area rose more than imports, reaching a higher level than in any previous half-year, and trade with this area was almost balanced. The gross visible deficit is of little use as a guide to the balance of payments on current account. To arrive at a figure an attempt has to be made to assess trade payments in and out, earnings from shipping and other invisible services and investments, and transactons on government account. These elements, particularly trade payments, can fluctuate sharply. But they are unlikely to have worsened radically this year, and with the known reduction of £100 million in the trade deficit between the first half of 1953 and 1954, it would be surprising if the Chancellor was not being unduly cautious in his "good hope" that the surplus on current account would "compare favourably" with that of the first half of last year. After all, it could hardly be any less than the negligible surplus of £13 million for that period.

Few Orders for Ships

BETTER supplies of suitable steel have enabled British shipyards to improve their rate of production and delivery over the last year. In the first half of this year, according to the quarterly shipbuilding returns compiled by Lloyd's Register of Shipping, shipyards in Great Britain and Northern Ireland completed 749,485 tons gross of merchant ships and started work on 757,585 tons, as against 667,609 and 655,666 tons respectively for the same period of 1953. Production at an annual rate of about 1,500,000 tons gross is more in line with the true capacity of the industry ; but this rate may not be maintained unless new orders are taken in to replace the tonnage delivered. So far this year, however, United Kingdom shipyards have ooked orders for no more than 232,000 tons, and against his must be set the cancellation of orders already placed r as much as 155,000 tons gross. In fact the net intake orders for new ships in the last twelve months has been more than about one-third the total output of the s during the period. At present the total order book nts to about 4,868,000 tons, but this does not neces- mean that there is still three years' work assured for yard. More than half the total consists of tankers, of them very large vessels, and some yards are begin- o feel anxious about their near future.

little consolation to know that the lack of orders is vide, and that for some of their competitors the t of empty berths is more immediate. American ds, for example, have not received a single order ocean-going merchant ship for more than 18 months ; ly 22,610 tons of new work replaced the 223,314 t were launched in the United States during the last With the threat of unemployment the spur, Con- shipyards in particular will be keen competitors few new orders that are likely to be available for me ahead. They are in a position to offer quick delivery, as well as fixed prices, and they have a flexible labour force which works long hours and on a shift basis. These are inestimable benefits when there is a dearth of orders ; and they represent a strong challenge to the British shipbuilding industry.

South Africa's Gold Sales

THE recently published annual report of the South African Reserve Bank defines and clarifies the arrangements that now obtain for the marketing of gold mined in the Union. The period covered by the report—the twelve months to March 31st last—witnessed the reopening of a free gold market in London and with it a fundamental revision of the arrangements made for the disposal of South African gold. The basic agreement between the Governments of the United Kingdom and of South Africa remain unchanged ; under this agreement South Africa undertakes to sell a minimum of 4 million ounces of gold a year to the United Kingdom while at the same time meeting the whole of the Union's own requirements for hard currency. The two fundamental changes were a withdrawal of the earlier permission given to the South African gold mines to sell part of their output in the premium market and a new arrangement whereby the whole of the South African gold sold in London by the Reserve Bank has, since March 22nd last, been disposed of through the free market that began to function in London on that day. Previously, the mines had been allowed to sell up to 40 per cent of their output in the premium markets in other centres. The other 60 per cent was sold to the Reserve Bank at its statutory price, and the Reserve Bank, in turn, sold not less than the agreed minimum of 4 million ounces direct to the Bank of England and disposed of the rest as best suited the exchange needs of the Union.

It is interesting to note from the Reserve Bank's report that during the year 1953-54 no less than £20,466,000 out of total sales of £112,085,000 was disposed of to the Bank for International Settlements against payment in US dollars. By using this channel, more favourable terms were obtained than if direct sales had been made to the US Assay Office. The withdrawal from the mines of their former freedom to sell part of their production "for industrial purposes" at a premium was not, in the event, of much significance

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for them, because the large premium formerly quoted in the free market had disappeared last November. As from last March, the Reserve Bank buys all the gold produced in South Africa and bases its price on that quoted in the London market. In justifying this change, the Reserve Bank doffs its metaphorical hat to the reopened market: "having regard to the international nature and leading position of the London market, it appears unlikely that a better price would normally be obtained elsewhere."

A New Copper Contract

THE proposed revision of the standard contract for copper on the London Metal Exchange goes a long way to meet the criticisms of consumers and should help to minimise fluctuations in the cash price. At present, sellers can deliver copper either ex-ship London, ex-quay Liverpool or from a United Kingdom smelter or approved warehouse. Such consideration for the convenience of producers may have been justified when the market reopened last August, but the uncertainty of the delivery point has discouraged consumers from using the market. Moreover, fluctuations in the cash price can result solely from the mechanics of the contract, unrelated to the copper market itself. If, for example, a trader holding delivery orders from a smelter's works has not sold that copper before the orders expire, he will usually prefer to sell at some 15s. a ton below the prevailing market price to avoid the expense of putting metal into warehouse. The committee of the Exchange has now decided in principle that delivery will only be made ex-warehouse, as in the tin market. This has the further advantage that the buyer will be certain of obtaining delivery on the prompt day if he wishes, whereas delivery can take up to three weeks or so of the "prompt" day at present.

The new contract should be approved next month, and may be introduced by about the end of the year. Some traders consider that as long as there is no surplus of copper available to the market producers will avoid, whenever possible, the cost of putting metal into warehouse, and that the consequent smallness of stocks could lead to greater instability of price. This question, like many others associated with changes in the contract, can only be answered by experience. The committee has not been able to meet the request of some consumers for a contract that would reflect the world price of electrolytic wirebars. It considers that such a contract, cif UK or Continental ports, is desirable, but that it could not be introduced until the existing restrictions on imports of copper into the Continent have been eased, and that a contract based only on the United Kingdom alone might not produce a realistic world price.

Investing in Aviation Spirit

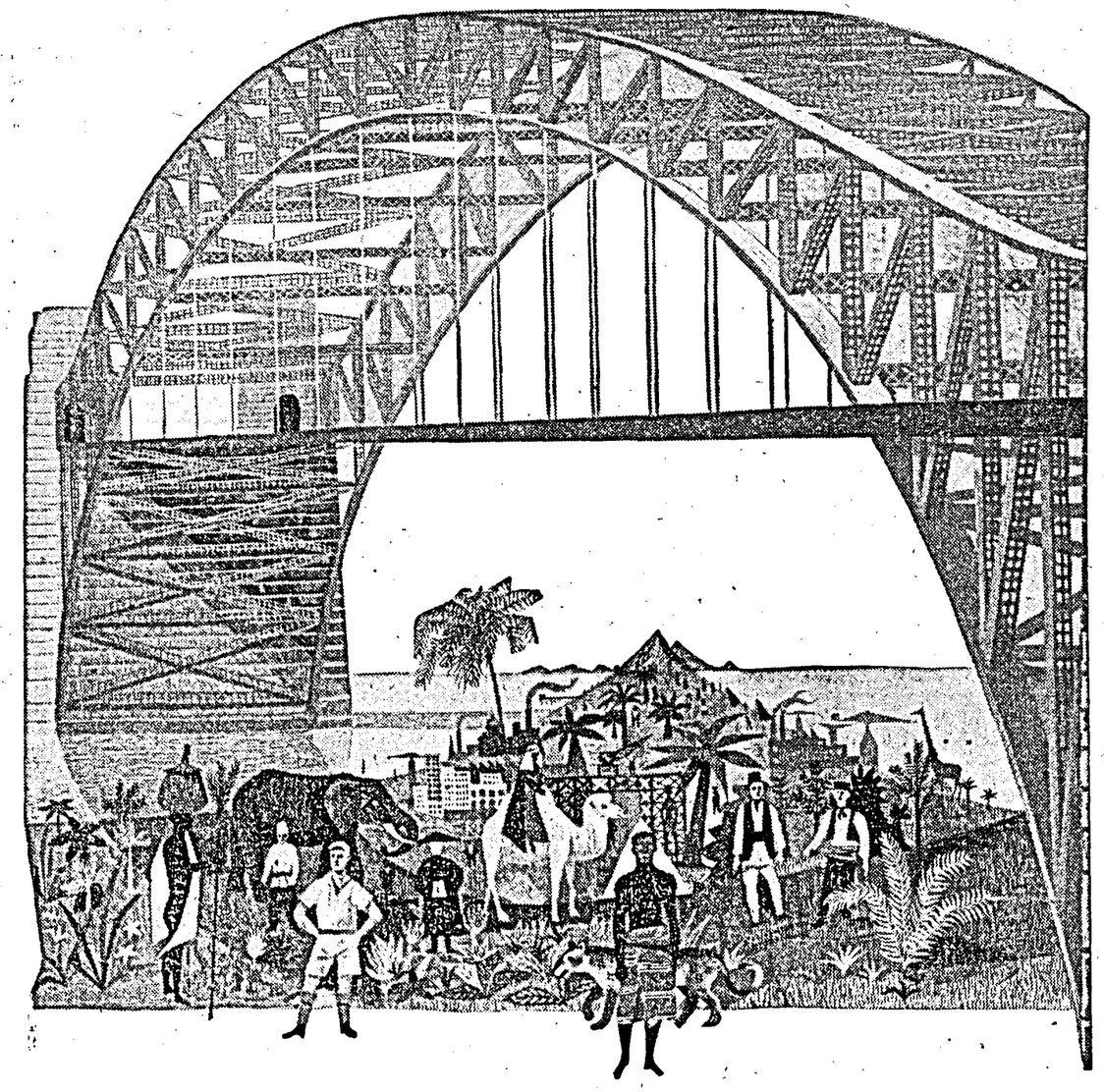
THE Shell refinery at Stanlow is becoming the main production centre of aviation spirit in this country. This is probably one of the few basic oil products that involves the erection of special-purpose plant and Shell has built first, a £3.5 million "platformer" and is now following this with a £500,000 "iso-pentane" unit. Behind this formidable terminology is an effort directed constantly towards accumulating and concentrating a high enough proportion of exceedingly light and volatile fractions of oil to make a fuel that will work effectively in the fastidious cylinders of a piston aero-engine. These need fuels with an octane rating of about 130 to prevent knocking, compared with 80 octane for premium grade motor spirit. The final product is a blend of petrol with a variety of high octane ingredients, most of which have hitherto been imported.

Behind Shell's decision to produce an increasing number of these products at Stanlow lies an appreciation of the expanding market for aviation spirit. In peacetime, aviation spirit probably represents not more than 3 per cent of the oil market, but in Europe capacity is not sufficient to meet demand. In spite of the increasing use of gas turbines in military and civil aircraft, which use a paraffin-petrol blend, the consumption of aviation spirit in Europe's piston-engined civil transports is expected to grow. American estimates suggest that it will reach its peak figure of about 33,000 barrels a day some time next year, but the subsequent levelling off is expected to be very slight during the next decade. Europe has been almost wholly dependent on imports of aviation spirit, and after the Abadan refinery was closed, imports had to be sought from the United States. The developments at Stanlow represent a move to remedy this deficiency that may find imitators at other of the big new refineries.

Bigger Board of Trade

THE transfer of the functions of the Ministry of Materials to the Board of Trade on August 16th is a sensible, if belated, move. The largest part of the Ministry's administrative work ended in 1953, when private trading had been resumed in nearly all the importan materials under its wing. The question was simply whic department, or departments, should assume its prima responsibility of "ensuring adequate supplies of materi with which it is concerned" and its few residual functio including the management of the strategic stocks. Wh the Ministry was formed in June, 1951, it took over Board of Trade's responsibilities for some basic chem fertilisers, natural and synthetic rubber, textile fibres, paper and timber, and mainly light and non-ferrous from the Ministry of Supply. The Board of Tra now become a vertical organisation again, its respo for cotton, for example, extending from the raw r through the manufacturing industries. In cott several other raw materials, for which the Board n remained the licensing authority, the transfer will a good deal of duplicated effort. It will be e welcome to the affected industries, which will he deal with one government department instead of tv

The Board will no doubt create its own machi keeping supplies and stocks of raw materials unde review. Its problems in the event of anothe shortage should be eased by the experience gaine Ministry of Materials. There may be a danger, that the existence of the strategic stocks could lead



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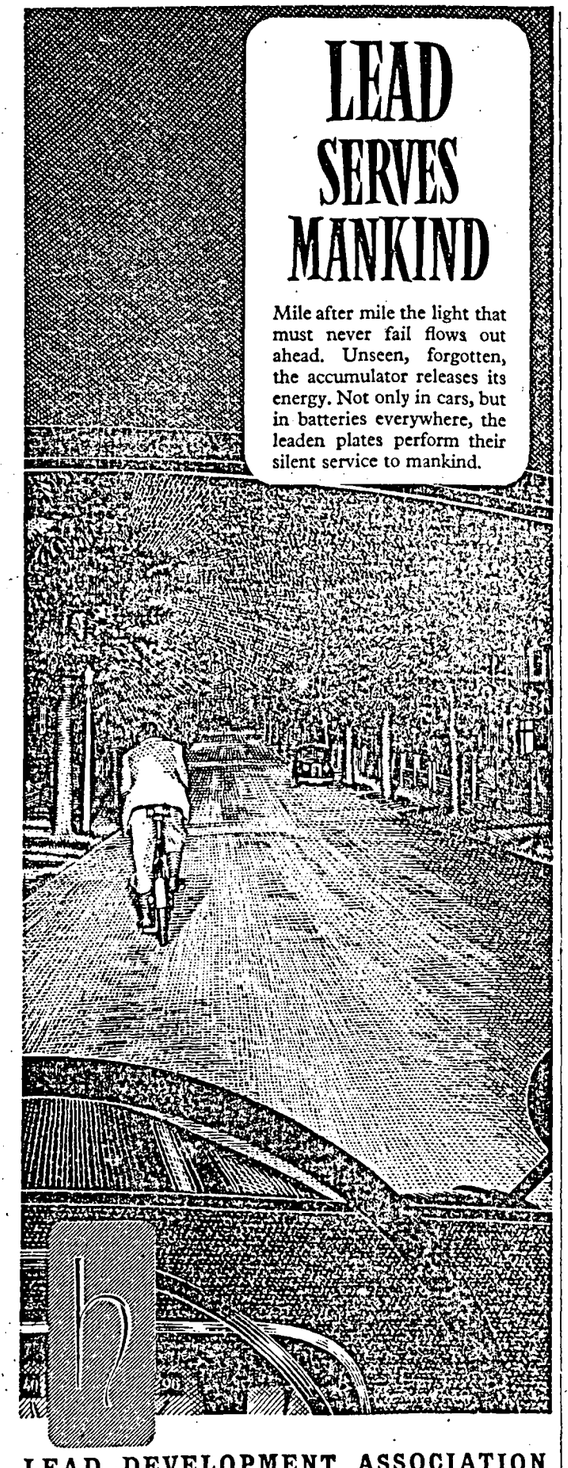
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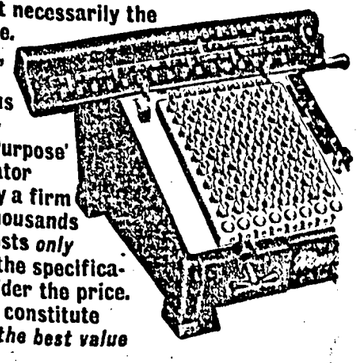
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complacency within both government and industry. But these stocks could hardly be drawn upon in an emergency similar to Korea; they are a source of last resort. The decision not to return light and non-ferrous metals to the Ministry of Supply presumably reflects the government's view that this department should in future be more exclusively concerned with procurement for the defence programme. The next step may be the transfer to the Board of Trade of the Ministry's responsibilities for the general engineering industries.

VHF Approved

THE BBC has come out of seven months' hard negotiations with official approval for about half of its plan to provide Very High Frequency sound services. In January, the Television Advisory Committee reported to the Postmaster General that all but one of its members considered that the BBC's proposals were technically sound. They appeared to be the only way of overcoming the inadequate services provided over wide areas of the country by the over-crowded long and medium waves. Since then the BBC engineers have argued for seven months with the Committee, Post Office, and radio industry representatives over the actual details of the plan put forward. This was originally based on the erection of about 50 transmitters on 20 separate sites. The BBC has won its point, against opposition in some sections of the radio industry, to run the transmitters on frequency modulation in place of the amplitude modulation used on the other sound services; but the proposals approved by the Postmaster General represent only about half the original plan, that is, only nine stations as against the 20 suggested. This, Lord de la Warr told the House of Lords, will cover about 75 per cent of the population. Presumably, therefore, large areas of the country will still be outside the reach of the improved services. The long delay in getting approval has disappointed the engineers who have to bear the brunt of complaints about transmission. The BBC plan was first made public last October, and it will be at least 18 months before the amended scheme is completed.

Radio-active Economics

[T]he sale of radio-active materials is beginning to bring [in] an appreciable income to the Department of Atomic [E]nergy and this week's international conference on their [u]se being held at Oxford is likely to give sales a con[si]derable boost. The contribution that these materials [ca]n offer is their ability to behave in the same way as [ra]dioactive elements—to go through a chemical [pr]ocess, through the blood stream or through a pipe-line—[si]gnalling all the time their presence and their concentration clearly and unequivocally to the watching Geiger [co]unters outside. The evolution of techniques for tailoring [ra]dioactive elements into everyday compounds like [fo]od and sugar has opened up possibilities for manipu[la]ting radiation with infinitely greater precision. These possibilities were discussed by the 800 delegates at Oxford, nearly half of whom came from abroad, among them 44 Germans. A feature of the German visitors was that they seemed to have a far clearer appreciation of the industrial possibilities of these new materials than has been shown either inside or outside this country.

One atom centre in this country, the Radio-Chemical Centre at Amersham, is specialising entirely in the preparation and sale of these materials. In the past financial year, before production had been put on a fully commercial footing, sales amounted to about £400,000. The rising level of consignments suggests that this year's turnover will be about £600,000 and business will probably level out at an annual £1 million a year. Of this, about one-third is made up of export shipments. These are limited by the short life of some of the compounds. The most valuable medically are those that after a short radio-active heyday end up harmlessly in the body as ordinary stable elements. This is one reason why hospitals and laboratories take far more consignments than industry, where long-lived sources of radiation are more in demand. The special facilities for preparing elaborate compounds that are being developed at Amersham have been the basis for exports even to countries such as the United States. In the first six months after arrangements had been made there for their distribution, exports to America realised about $50,000; and this business will no doubt expand.

Another aspect of radioactive economics is contained in the announcement that the production of heavy water is to start in New Zealand. Heavy water is coming into increasing favour with scientists as a means of "moderating," or controlling the activity in an atomic pile, the standard material at present used being graphite. Heavy water is a special form of hydrogen with a nucleus twice the normal weight; it is costly to produce and what supplies are in Britain come from Norway. An earlier scheme to make heavy water was rejected on the grounds of cost; now that a means has been worked out of linking it with power generation from North Island's hot springs, the economics look better and the project is to go ahead.

Machines from Abroad

WHEN tariff protection was introduced in 1932, provision was made for the exemption from import duty of foreign machines that were officially accepted as being needed but "not for the time being procurable" in Britain. The Import Duties Advisory Committee administered this exemption; it intended originally to lay down specific classes of machinery for automatic exemption, but found this impossible in practice and had to deal with individual applications for particular machines or consignments. During the war import duties on machinery were suspended; when they were re-imposed after the war a similar system of exemption was put into force and operated by the Board of Trade, advised by the Ministry of Supply. The volume of machinery brought in free of duty grew considerably; by 1951 the number of applications dealt with had risen to 12,313, and during 1951-52 the value of free imports was £19.4 million, amounting to 27.2 per cent of all machinery imports. The Government decided that this volume was exceeding "the narrowest possible field"

of free imports, which had been the original intention; moreover, the administrative burden of handling the applications had become heavy. In the Budget speech of 1952 Mr Butler announced that duty-free imports of machinery would for the present be suspended, and that a committee would be set up to examine the whole question.

The committee reported this week. It favours a discretionary system for free import of machinery, but not upon such a wide scale as the earlier one. In particular, it would restrict the consignments of machinery for which applications for exemption would be considered to those with a value of £2,000 or more, on the grounds that the duty on machines of lower value would not be a significant consideration affecting import to the extent that justified the work of administration. It feels that Government departments should continue to carry out this work, advised by a consultative committee containing representatives of industry; and that the criteria used by the departments should remain broadly as before, though exemption from duty on foreign machines where British makers' deliveries are protracted might be administered rather more flexibly. It makes one logical addition to the scope of exemption, by recommending that plant—"static machinery which performs industrial processes without moving parts" was the definition the committee finally arrived at, after the FBI, the National Union of Manufacturers and the British Engineers' Association had failed to produce one—should also qualify for exemption on the same grounds as machinery.

The Bowater Concert

HAVING attracted "a cinema of shareholders" to its annual general meeting and works visit, the Bowater Paper Corporation held its extraordinary general meeting at the Royal Festival Hall. Nearly 1,000 shareholders turned up, to vote on two resolutions, to watch a film and to enjoy a cup of tea. The first resolution, authorising the free scrip issue of one new £1 ordinary share for every three held, was passed unanimously. Commenting on this issue, the chairman, Sir Eric Bowater, gave a strong hint that another free scrip issue is likely next year. He also explained that earnings so far this year warrant the payment of an interim dividend and the board hope to be able to make this payment in October. Looking further ahead, now that the Tennessee Mills are in operation, Sir Eric anticipated "a high level of production" in the corporation's plants both at home and overseas.

The second resolution, granting Sir Eric an option to buy in the next seven years 150,000 ordinary shares at not less than the market price ruling on the day the grant is made (which effectively means in the next few days), was passed with only one voice of dissent. A few proxy votes had been entered against the option, which the vice-chairman, Sir John Keeling, described as a "testimonial" to Sir Eric; but the only shareholder to dissent at the meeting based his objection on the grounds that similar options should have been given to all directors and higher executives as well. Before the resolution was put to the shareholders, Sir Eric reminded them that "legally there was no obligation to seek the consent of the shareholders to this proposal."

Demise of the Cotton Commission

THIS week the Government moved the Order dissolving the Raw Cotton Commission on August 31st. This has always been the date aimed at, and the Government has rightly refused to entertain the Opposition's pleas for postponement. The Commission's customers have been given ample time to arrange to obtain their requirements of raw cotton privately, and they are assured of supplies of certain growths from the liquidator of the Commission up to next May. During the debate in the House of Lords, Lord Woolton revealed that by August 31st the Commission will have some 230,000 bales of cotton sold forward to contracting-in spinners, and will have a similar quantity, valued at about £20 million, for disposal by the liquidator. The total quantity of some 450,000 bales is equivalent to about 12 weeks' consumption in Lancashire, apart from the considerable stocks held by spinners and the small quantity held by merchants. The Government have again stressed that if Nigeria, Aden and Nyasaland decide that their existing contracts for the sale of cotton should run for the full term, they will be taken over by the liquidator, who will be the present chairman of the Commission.

The Liverpool cotton futures market is progressing as well as was generally expected, if not better. Prices have risen further this month, mainly because the acreage planted to cotton in the United States proved to be appreciably below the maximum allowed, and because the Commission revealed that its unsold stocks of American-type cotton were much smaller than had been supposed. Prices would probably move still further towards parity with the New York market if the Commission would announce the volume of hedges now remaining in its cover scheme. Most estimates of the weight of hedge-selling that may still come on to the market are almost certainly too high, and spinners should gain, rather than suffer, if the figure was made known.

The Consumer's Whisper

COMMON anxiety over the trend of coal prices—but some rather different grounds for it—are expressed in the annual reports of the Industrial Coal Consumers' Council and the Domestic Coal Consumers' Council, published this week. Both record their objections to the last increase in coal prices, which appear to have brought about insignificant modifications in the National Coal Board's original plans. The Industrial Coal Consumers' Council adds

> It has been suggested in certain quarters that the increases to which we have referred have subsidised industry at the expense of the domestic market, but we are satisfied after investigation that this is not so.

The domestic council appears to have been one of these quarters. It records that it protested about the "discrimination against householders" that it felt was implied by raising house coal prices by more than the average increase in industrial coal. Slight alterations were made, but "the modification made only an infinitesimal difference and our fundamental objections remained."

These two reports are linked not only by the staples of the Stationery Office, which published them together, but by the common membership of Sir Walter Drummond, Deputy-Chairman of the National Coal Board, and Sir William McGilvray, its marketing director. But these two Coal Board representatives, whose presence on the two councils is in any case somewhat remarkable, are presumably not associated with the council's objections to price changes that Sir William may in the first instance have been responsible for drafting; so they can hardly be held responsible for the councils' divergent views. It may be added that the industrial council

> felt it necessary to contradict misleading Press statements which have been made to the effect that there was something wrong with industrial coal prices in so far as certain sections of industry were being favoured. This is not so.

The facts of this contention are not significant—though it might be observed that both the gas and electricity industries, which are represented on the council, have from time to time suggested that their own industries have been treated particularly badly. What is remarkable is that the council should imagine that its own flat contradiction, unsupported by any evidence, will carry any weight whatever.

SHORTER NOTE

The factory and equipment of Jowett Cars, which stopped the production of the Javelin and Bradford vehicles last year, is to be sold to the International Harvester Company of Great Britain. The price to be paid for this equipment, excluding that required for the services and spares department which will remain in operation for the time being, is some £140,000 above the book values of the property concerned. As shareholders have not yet seen the latest copy of the balance sheet (though they have been told that profits have slumped from £306,706 to £97,083) they do not, in fact, know the exact purchase price. It seems, however, that even on the best assumptions about the price and the possibility of a capital distribution the 4s. ordinary shares were over-valued at their price of 6s. 6d. on the eve of the announcement. After the announcement, they fell to 5s. 9d., after touching 5s. 6d.

*

Correction: The range of prices in the International Sugar Agreement given in *The Economist* last week should have read 3.25 to 4.35 US cents a lb.

Company Notes

DISTILLERS. The shareholder in Distillers has to assume—for the company's accounts do not give him all the facts—that the stable element in the group's earnings arises from the whisky and gin division and that it is the chemical and industrial division which is primarily responsible for the wide fluctuations in total earnings. The company's preliminary report for the year to March 31st shows a very sharp rebound in trading profits, from £13 million to over £19½ million. Without much hesitation the shareholder can assume that this increase sprang directly from the recovery in chemicals, plastics and petroleum chemicals.

	Years to Mar. 31, 1953	1954
Consolidated earnings:—	£	£
Trading profit	13,030,747	19,717,540
Total income	13,280,492	19,911,332
Depreciation	1,464,792	1,514,566
Taxation	6,641,394	9,805,472
Net profit	*4,101,072**	*7,316,544*
Ordinary dividends	2,792,949	3,214,167
Ordinary dividends (per cent)	22½	25
Retained by subsidiaries	516,176	1,745,891
General reserve	1,000,000	2,000,000
Carried to carry forward	67,136	233,375

**Ordinary stock at 22s. 3d. yields £4 12s. per cent.*
†After the transfer of £400,000 from stock [illegible] *reserves.*

[illegible]ation, at nearly £10 million (including £1,000,000 for EPL), has lopped away [illegible] half of the trading profit. Nevertheless, net profits have risen from £6,[illegible]072 to £7,316,549, and the directors could have had little hesitation in [illegible]ng upon (and certainly no justification for withholding) an increase in the [illegible] dividend from 22½ to 25 per [illegible]x. The investors had expected a little more, and a free scrip issue as well, so that the announcement was followed by a fall of 6d. in the price of the 4s. ordinary stock units to 22s. 3d. At this price the shares offer a yield of 4.6 per cent, about 6s. per cent below the average yield offered by the leading equities (of which Distillers itself is a notable example). Investors obviously have another dividend increase in their sights. They have steadied their aim by the demise of EPL, the fact that the full exercise of options to convert the loan stock into ordinary stock would leave net earnings covering the dividend more than twice, and the probability that gross profits are more likely to go up again this year than to slip back.

★

UNITED DOMINIONS TRUST. Of all the companies providing finance for hire purchase transactions the best known is United Dominions Trust. The giant continues to grow. In the year to March 31st the value of its total assets rose by over £8 million to £34.4 million. Much of this increase represented a growth in loans to its customers. "Loans against security" rose from £2.1 million to £2.3 million, "bills receivable and notes on hand" from £5.8 million to £7.2 million and "amounts receivable under customers' agreements" from £11.1 million to £15.4 million. These increases were largely financed by further loans and acceptances taken out by the trust itself; this item in the balance sheet (the short-term nature of which is indicated by its inclusion in current liabilities and provisions) went up from £16.9 million to £23.9 million.

The provision of hire purchase credit may be risky, but it is evidently profitable. The group's profits advanced from £850,000 to just over £1 million. Taxation was about £120,000 higher at £560,000, but net profits increased from £337,000 to £433,000. This increase, coupled no doubt with the improvement in the group's cash balances from £3.8 million to £6.6 million, encouraged the directors to pay out a little more on the ordinary capital (which, because of the continual refusal of the Capital Issues Committee to permit any issue by the company, remains unchanged at £1 million). The ordinary dividend has been raised from 22½ to 25 per cent. This is only a moderate increase and investors are still looking for more, for the £1 ordinary stock units (which enjoyed a good rise after the lifting of the hire purchase restrictions) yield only 4 per cent at the current price of 125s. The hope in the minds of investors is that one day CIC will lift its ban on capital issues by the trust and that this will be followed by a free scrip issue and bigger dividend payments. That day may not be so far distant.

★

PYE. The directors of Pye, the radio and television manufacturers, followed the declaration of a dividend of 20 per cent on the deferred ordinary capital of £951,912 (as increased by a 50 per cent free scrip issue) with the announcement of a one for five "rights" issue of 761,529 5s. ordinary shares at 20s. each. The minimum assumption that investors could make, as the new money would first be used to pay off the £500,000 of 4½ per cent unsecured notes, was that the directors would be willing to maintain a rate of 20 per cent on the enlarged capital. On this basis, the 5s. shares at their "ex-rights" price of 26s. 6d. offer a yield of

only 3¾ per cent—a yield which openly suggests that investors are hoping for something more than a dividend of 20 per cent.

	Years to Mar. 31, 1953	1954
Consolidated earnings:—	£	£
Trading profit	955,992	1,416,405
Depreciation	135,018	202,915
Taxation	508,256	868,196
Net profit	*232,993*	*260,531*
Ordinary dividends	69,807	104,710
Ordinary dividends (per cent)	20	20
Added to group carry forward	173,286	73,443
Cons. balance sheet:—		
Fixed assets, *less* depreciation	957,010	978,610
Net current assets	2,339,736	2,714,210
Stocks	2,606,210	3,840,552
Cash	197,464	187,134
Bank overdraft	157,026	153,641
Reserves	1,218,502	1,042,637
Ordinary capital	602,862	951,912

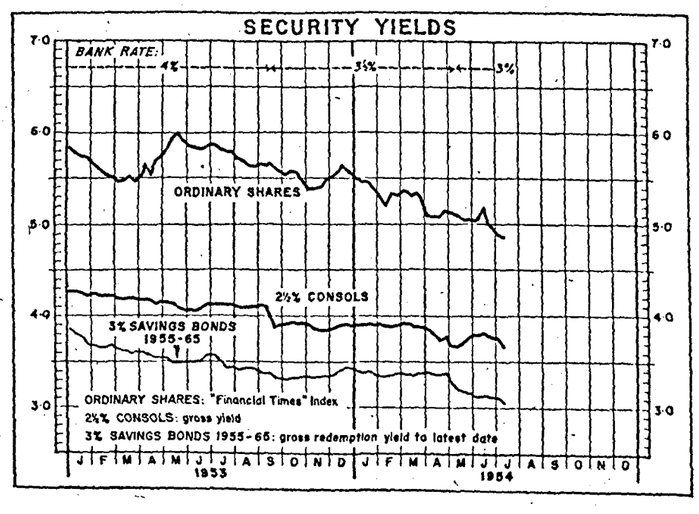
5s. deferred ordinary stock at 26s. 6d. yields £3 15s. per cent.

To support this belief, the investor can call in evidence the profit and loss account for the year to March 31st. Trading profits advanced from £955,992 to £1,416,405, and the report gave a broad hint of fully employed factories, higher sales and, possibly, wider profit margins. Moreover, it showed that EPL took nearly £160,000 (compared with net dividend payments of about £105,000) from these profits; the death of this tax has obviously enhanced the value of the company's equity. Secondly, the investor will see in the decision to spend £100,000 of the new money in erecting new buildings a certain sign of expansion. Adding weight to that conclusion is the third factor, the directors' comments on the company's working capital commitments. Part of the new money will be needed for working capital —that need is evident in the growth in stocks (from £2,606,210 to £3,840,552), in debtors (from £1,864,799 to £1,958,285) and in "amounts due under hire purchase contracts" (from £198,735 to £224,332). The directors add that "it is probable that provision of still further working capital will be necessary in the course of the next few years, either from additional bank borrowings or by raising of additional permanent capital." Everything, in fact, points to expansion and investors appear to have discounted it accurately.

★

LEWIS BERGER. Another company in a trade closely in touch with consumers reports a recovery from the 1952 recession. Lewis Berger, the paint manufacturers, reports that in the year to March 31st profits made a sturdy recovery from £489,668 to £891,187. The increase in profits was due, the chairman explains, to "a new high level of sales" to which the development of the use of styrene made the most important single contribution. The improvement in sales and profits at home was overshadowed by similar improvements in overseas markets. Companies in Australia comprise the largest interest of the group overseas, and these companies have reported new records both in trading and profits.

The advance in net profits (from £212,152 to £377,066) had its almost inevitable sequel—an increase in the ordinary dividend from 12 to 15 per cent. This new dividend does not completely restore the cut in dividends made in 1952-53, for the dividend in the year to March 31, 1952, was equivalent to 18 per cent on the present ordinary capital of £1,581,825. Shareholders will doubtlessly look forward to the restoration of this rate in the current year, now that the chairman has expressed his conviction that "the improved results will be adequately maintained this year." In addition to the ordinary dividend, the company has again made a tax free distribution of 5 per cent from the capital profits accruing from the sale of fixed assets. In calculating the yield on the 4s. ordinary stock units it is better to ignore this distribution and on the basis of a 15 per cent dividend these stock units offer a yield of 4.9 per cent at the current price of 12s. 3d.



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Next Contango Day: August 11th
Next Settlement Day: July 27th

UNCERTAINTY about the outcome of the Geneva conference and profit taking in equities at the end of the old account caused a few losses in the market at the beginning of this week. Once, however, the cease-fire settlement had been signed, a slight recovery in values was staged. In the gilt-edged market the long-dated and irredeemable stocks, which had recently enjoyed a speculative rise, lost a little ground. In the first two days of the week they closed with small losses, having dropped to rather lower levels in earlier dealings. On Wednesday, however, turnover in the gilt-edged market expanded and, though the longer-dated issues closed with only slight gains, quite sturdy advances were recorded in the medium-dated issues. In the foreign market, German stocks made some good gains on the strength of support from the Continent. Hungarian and Rumanian issues hardened.

In the industrial market, the fall in equity values brought the *Financial Times* ordinary share index down from its peak of 160.8 on Thursday of last week to 157.8 by the close on Tuesday; on Wednesday, however, the index recovered to 158.2. Declines were most pronounced in the store, textile, motor and paper groups. These groups, particularly the store and motor shares, later led the recovery. After a weak start, engineering shares remained firm, but on Wednesday shipbuilding shares turned distinctly dull. Bowater rose 3s. 6d. to 72s., on the strength of the chairman's indication of another scrip issue. The repetition of the Imperial Tobacco interim dividend at 8½ per cent led to a rise of 6d. to 53s. 1½d. In the oil market, Anglo-Iranian fell sharply on Monday by ½ to 12⅛, on the report from Persia (not confirmed, and certainly misinterpreted) that the compensation payment may be smaller than was expected; other leading oil shares lost ground as well. Part of these losses was recouped later in the week. Dealings in the Kaffir market were at a low ebb and prices tended to slip back.

FINANCIAL TIMES INDICES

1954	Security Indices Ord.*	Fixed Int.†	Yield 2½% Cons.
			%
July 14	160·6	116·06	3·64
„ 15	160·8	116·17	3·63
„ 16	159·9	116·32	3·63
„ 19	158·1	116·33	3·63
„ 20	157·8	116·30	3·64
„ 21	158·2	116·31	3·64
1954, High	160·8 (July 15)	116·33 (July 19)	Total b 1954 July 14
„ Low	131·1 (Jan. 1)	111·78 (Jan. 5)	„ 15
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 16 „ 19
„ Low	113·9 (May 20)	105·68 (Jan. 5)	„ 20 „ 21

* July 1, 1935 = 100. † 19

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to July 21 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, July 14 1954	Price, July 21, 1954	Net Yield, July 21, 1954 § £ s. d.	Gross Yield, July 21 1954 £ s. d.
100⅛	99⅜	Exchequer 2½% 1955	100 ⅛	100 ⅛	0 16 10	1 14 8
105⅛	101⅛	Exchequer 3½% 1960	105 ⅛	105 ⅛	0 15 1	2 3 3
104⅛	99 12/32	Exchequer 3½% '62-63	103⅛	104⅛	1 3 7	2 10 5
100 3/32	99⅜	Serial Funding 1¾% 1954	100·0·10	100.0.10	0 6 8	1 15 9
100	99 13/32	S. Fdg. 1¾% 1954 Ass. Exc.	99 ⅜	100	1 7 7	2 10 3
101 ⅛	99 12/32	Serial Funding 2¼% 1957	101¼	101¼	0 14 4	1 15 7
101⅜	100 ⅛	Serial Funding 3½% 1955	101 3/32	101 ⅛	0 4 7	1 15 1
101 2/32	100	War Bonds 2½% '54-56	100⅛	100 3/32	0 19 11	2 1 6
101 ⅛	100 ⅛	Funding 2½% '52-57	100 ⅛	100 ⅛	1 5 7	2 11 2
101 ⅛	100⅛	Nat. Def. 3½% '54-58	100·4/0	100.3.5	...	1 9 9
102⅛	101⅛	War Loan 3½% '55-59	102 ⅛	102 ⅛	1 6 1	2 14 4
100⅛	95 ⅛	Savings Bonds 3% '55-65	99⅛	99 ⅛	1 14 8	3 1 7
101 ⅛	97⅛	Funding 2½% '56-61	101	101⅛	1 5 2	2 8 6
96 ⅛	92 ⅛	Funding 3% '59-69	96⅛	96⅛	1 18 7	3 6 10
98⅛	93 ⅛	Funding 3% '66-68	97 ⅛	97 ⅛	1 16 3	3 3 6
97 ⅛	97⅛	Funding 3½% 1999-2004	97⅛	97⅛	2 0 3	3 12 5
104 3/32	100 ⅛	Funding 4% '60-90	104⅛	104 ⅛	1 8 10	3 5 5
96⅛	90⅛	Savings Bonds 3% '60-70	95⅛	96⅛	1 19 3	3 7 9
95⅛	90⅛	Savings Bonds 2½% '64-67	95 ⅛	95 ⅛	1 16 6	3 0 2
105⅛	101 ⅛	Victory 4% '20-76	105⅛	105 ⅛	1 15 2	3 11 5
93⅛	87⅛	Savings Bonds 3% '65-75	93	93⅛	2 0 2	3 8 1
97 ⅛	93⅛	Consols 4% aft. Feb. '57	97⅛	97 ⅛	2 5 0	4 1 10
92⅛	84⅛	Conv 3½% aft. April '61	91⅛	91⅛	2 2 3	3 17 2
102⅛	99 ⅛	Conv. 4% 1969	101 ⅛	102⅛	1 16 2	3 8 5
100 ⅛	99 ⅛	Conv. 2½% 1958-59	100⅛	100 ⅛	0 19 11	1 17 11
69⅛	63⅛	Treas. 2½% aft. April '75	68⅛	68⅛	2 0 2	3 13 5
81	74 ⅛	Treas. 3% aft. April '66	80	81	2 1 0	3 14 11
99 ⅛	92⅛	Treas. 3½% '77-80	98	99	1 19 8	3 11 7
98⅛	92 ⅛	Treas. 3½% '79-81	97	98⅛	1 19 6	3 11 1
90	83	Redemption 3% '86-96	89	90	2 0 5	3 9 11
91⅛	84⅛	War Ln 3½% aft. Dec. '52	90⅛	90⅛	2 2 7	3 17 7
69⅛	63⅛	Consols 2½%	68⅛	68⅛	2 0 1	3 12 11
95⅞	88⅛	Br. Elec. 3% '68-73	94⅞	95⅛	1 19 11	3 8 5
94⅛	87⅛	Br. Elec. 3% '74-77	93⅛	94⅛	1 19 8	3 8 4
108⅛	103⅞	Br. Elec. 4½% '74-79	107⅛	108⅛	1 17 2	3 14 6
99⅛	93⅛	Br. Elec. 3½% '76-79	98⅛	99⅛	1 19 3	3 11 3
90⅛	83⅛	Br. Trans. 3% '78-88	89⅛	90 ⅛	2 1 3	3 10 3
95⅛	88⅛	Br. Trans. 3% '68-73	94⅛	95 ⅛	2 0 0	3 8 7
104⅛	100⅛	Br. Trans. 4% '72-77	103⅛	104⅛	1 18 3	3 13 7
90⅛	84⅛	Br. Gas 3% '90-95	89⅛	90⅛	2 0 5	3 9 9
101⅛	96⅛	Br. Gas 3½% '69-71	101⅛	101⅛	1 17 0	3 9 2
104⅛	99⅛	Br. Gas 4% '69-72	104⅛	104⅛	1 16 6	3 11 4

(e) To earliest date. (f) Flat yield. (l) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 11½ years approximately.

Prices, 1953 High	Low	Prices, 1954 Jan. 1-July 21 High	Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, July 14 1954	Price, July 21, 1954	Yield, July 21, 1954 £ s. d.
	84⅛	95⅛	90⅛	Aust. 3½% '65-69	94⅛	95⅛	3 13 0
	...	99⅛	97⅛	Ceylon 4% '73-75	98	99	4 1 6
98⅛	104⅛	98⅛	98⅛	N. Zealand 4% '76-78	103	103⅛	3 15 3
66⅛	79	79	71⅛	L.C.C. 3% aft. 1920	77	77	3 17 11
90⅛	98⅛	98⅛	95	Liverpool 3% '54-64	97⅛	98⅛	3 4 2
73⅛	86⅛	86⅛	80⅛	M. Wtr. 'B' 3% '34/2003	84⅛	86⅛	3 11 8
101⅛	104⅛	104⅛	101⅛	Agric. Mort. 5% '59-89	102⅛	102⅛	4 4 10
...	95⅛	97⅛	71⅛	German 7%	80	86	...
...	142	142	102	German 5½%	117⅛	126⅛	...
119	159⅛	159⅛	132⅛	Japan 5% 1907	149⅛	151	...
136	186⅛	186⅛	168⅛	Japan 5½% Conv. 1930	180	179⅛	...

Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, July 14 1954	Price, July 21, 1954	Yield, July 21, 1954
%	%	BANKS & DISCOUNT			£ s. d.
16 c	8 a	Barclays £1	48/-*	48/6	4 2 6m
14 c	7 a	Lloyds 'A' £5, £1 pd.	64/6*	65/-	4 6 2
8 b	8 a	Midland £1, fully pd.	83/-	82/6*	3 17 7
8½b	8½a	N. Prov. 'B' £5, £1 pd.	79/6*	80/6	4 4 6
18 c	10 a	Westminster £4, £1 pd.	90/6	90/-*	4 0 0
17½b	7½a	Alexanders £2, £1 pd.	116/3*	117/6	4 5 2
5 b	5 a	Nat. Disc. 'B' £1	48/-	47/6*	3 3 2v
5 b	5 a	Union Disc. £1	49/-*	50/-	4 0 0
4 b	4 a	Barc. (D.C. &O.) 'A' £1	43/-	43/-	3 14 5
7 a	7 b	Chart. Bk. of India £1	45/-	42/6	6 11 8
		INSURANCE			
50 a	85 b	Leg. & Gen. £1, 5/- pd.	14⅛	14⅛	2 6 2
20†a	40†b	Pearl £1, fully pd.	22	21⅛	4 19 9
105†c	112⅛†c	*Prudential* 'A' £1	42⅛	42⅛	4 15 8
		BREWERIES, ETC.			
33 b	10 a	Bass £1	126/10½	126/10½	6 15 7
7½a	17½b	Distillers 4/-	23/-	22/6	4 8 11
11 b	8 a	Guinness 10/-	35/-	35/-	5 8 7
8 a	15½b	Whitbread 'A' Ord. £1	78/9*	78/9	5 6 9d

Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, July 14 1954	Price, July 21, 1954	Yield, July 21, 1954
%	%	STEEL & ENGINEERING			£ s. d.
12½c	15 c	B.S.A. £1	63/-	59/6	5 0 10
5 a	10 b	Cammell Laird 5/-	10/6	10/-	7 8 0½
5 a	10 b	Guest Keen N'fold £1	60/-	59/4½	5 1 1
...	...	Stewarts & Lloyds £1	35/3	35/3	...
7½b	4 a	United Steel £1	24/10½	24/10½	7 4 8o
2½a	12½b	Vickers £1	34/6	32/-	4 13 9o
		TEXTILES			
42/3	32/-	4 a	11 b	Bradford Dyers £1	42/-	41/-	7 6 4
32/4½	24/9	6 a	12 b	Brit. Celanese 10/-	29/-	27/3	6 12 1
31/4½	24/8	5 a	10 b	Coats (J. & P.) £1	27/-	26/-	5 15 5o
4½b	Courtaulds £1	33/6	33/-	4 17 0k
60/6	47/4½	20 c	10 a	Lancs. Cotton £1	57/9	56/6	5 8 1u
79/6	64/-	5 a	15 b	Patons & Baldwins £1	68/-*	67/3	5 19 0
		ELECTRICAL			
58/10½	41/9	7½a	7½b	Assoc. Elect. £1	57/6	57/6	3 18 3z
46/3	38/-	2½a	7½b	B.I.C.C. £1	45/3	45/9	4 7 5
49/6	38/6	5 a	6½b	English Elect. £1	48/9	48/9	4 2 1m
48/9	37/9	7½b	3½a	General Elect. £1	47/6	47/6	4 14 9
		MOTOR & AIRCRAFT			
23/7½	18/6	5½a	6½b	Bristol Aeroplane 10/-	22/6	22/3	4 9 11
10/2½	6/3½	6½b	4 a	British Motor 5/-	10/1½	9/10½	5 6 6
30/3	23/4½	7½c	7½c	De Havilland £1	27/9	25/9	5 16 6
71/-	35/9	7½c	12 c	Ford Motor £1	69/4½	68/9	3 9 10
82/3	47/7½	9 b	6 a	Hawker Siddeley £1	77/-	81/6	3 13 7
98/9	80/6	25 c	25 c	Leyland Motors £1	96/3	97/6	5 2 7
73/-	44/-	5 a	12½b	Rolls Royce £1	68/1½	66/10½	3 9 9½
8/10½	5/8½	12 c	12 c	Standard Motor 5/-	8/9	8/3	7 5 5
		SHOPS & STORES			
27/2½	22/9	10 a	12½b	Boots Pure Drug 5/-	27/-	26/10½	4 3 9
42/9	32/-	15 b	7½a	Debenhams 10/-	41/9	39/6	5 1 3m
85/9	53/3	37½b	15 a	Gt. Universal 5/-	83/-	80/-	2 10 0§
109/-	92/9	5 a	17½b	Lyons (J.) 'A' £1	100/6	106/-	4 4 11
59/-	36/11	20 a	45 b	Marks & Spen. 'A' 5/-	57/-	54/-	3 0 2r
80/6	64/-	40 b	20 a	Woolworth 5/-	76/3*	74/9	4 0 3
		OIL			
13⅛	8⅝	5 a	37½b	Anglo-Iranian £1	12⅛	12⅛	3 8 8
£28	4 a	12 b	Royal Dutch 100 fl.	£43⅛	£42⅛	2 18 11i
106/9	97/10	5†a	10†b	Shell Reg. £1	103/1½	96/10½	4 13 1s
25/7½	17/6	15†b	5†a	Trinidad Leaseholds 5/-	25/-	23/6	3 17 4x
34/9	25/3	...	...	Ultramar 10/-	29/-	28/3	Nil
		SHIPPING			
44/-	36/7½	16 c	2½a	Cunard £1	41/6	41/6	7 14 3
38/7½	30/3	12½c	12 c	Furness Withy £1	35/-	35/-	6 17 2
44/6	31/3	6 a	16 b	P. & O. Def. £1	43/6	43/-	5 2 4y
35/3	24/10½	(p) 10c	10 c	Royal Mail £1	27/-	29/-	6 17 11
		MISCELLANEOUS			
90/3	67/9	5 a	12½b	Assoc. Port. Cem. £1	89/4½	85/-	4 2 4
72/6	44/-	15 c	16 c	Bowater Paper £1	68/9	71/10½	4 9 1
40/-	33/9	4 a	6 b	Brit. Aluminium £1	38/1½	36/10½	5 8 5
43/3	36/3	12½†c	4½†a	Brit. Amer. Tob. 10/-	40/6	40/-	5 13 8
$49½	$38½	3 b	3 a	Canadian Pacific $25	$48½	$47½	5 14 5
42/3	32/6	35 c	14¼a	Decca Record 4/-	41/6	41/6	4 4 5g
27/-	18/5	11½c	14 c	Dunlop Rubber 10/-	26/6	26/6	5 5 8
37/7½	26/6	6 a	9 b	Imp. Chemical £1	35/9	37/1½	4 3 11v
58/7½	49/3	11½b	8½a	Imp. Tobacco £1	53/-	53/-	7 10 11
$78½	$63½	$2·60c	$2·35c	Inter. Nickel n.p.v.	$77½	$77½	5 8 2
60/6	51/6	7½a	9 b	London Brick £1	60/-	58/-	4 16 7m
78/3	63/6	12½b	3½a	Tate & Lyle £1	71/-	74/6	4 5 11
71/-	60/6	7½b	7½a	Tube Investments £1	65/-	66/3	4 10 7
86/3	69/-	17½c	5 a	Turner & Newall £1	84/6	84/-	4 3 4
84/9	57/6	6 a	9½b	Unilever £1	82/6	80/-	3 18 9
38/3	30/3	†4½a	†4½b	United Molasses 10/-	34/3	34/3	6 8 6q
34/10½	28/-	Nil c	10†c	Cons. Tea & Lands £1	33/3	33/3	10 18 8
2/4½	1/10	10 c	10 c	*London Asiatic Rbr.* 2/-	2/-1½	2/-	10 0 0
38/6	25/2	5 a	15 b	*United Sua Betong* £1	36/6	34/-	7 16 10i
		MINES			
7⅛	5⅝	20 a	40 b	Anglo-Amer. 10/-	7⅛	7⅛	4 2 1
106/3	68/3	80 a	120 b	De Beers 5/- Bearer	105/7½	104/4½	9 11 7
101/10½	56/6	...	...	Free State Geduld 5/-	81/3	82/6	Nil
76/3	54/9	8½c	10 c	Randfontein £1	60/6	62/3	3 4 3
6/9	4/10½	22 c	24 c	London Tin 4/-	6/4½	6/3	15 7 2
25⅞	16⅛	175 b	50 a	Rhokana £1	24⅛	25	9 0 0

* Ex dividend.

New York Closing Prices

	July 14 $	July 21 $		July 14 $	July 21 $		July 14 $	July 21 $
Balt. & Ohio	25⅛	25⅛	Am. Smelting	37	37⅛	Inter. Paper	76⅛	77
Can. Pac.	27⅛	26⅛	Am. Viscose	36⅛	36⅛	Nat. Distill.	19⅛	19⅛
N.Y. Cent.	22⅛	22⅛	Cel. of Amer.	21⅛	21⅛	Sears Roebuck	65⅛	66
Pennsyl.	16⅛	16⅛	Chrysler	63	63⅛	Shell	45⅛	46⅛
Amer. Tel.	169⅞	173⅛	Gen. Elec.	45	44	Std. Oil of N.J.	87⅛	85⅞
Stand. Gas	13⅛	13	Gen. Motor	79⅛	79⅞	U.S. Steel	51⅞	52⅛
United Corp.	5⅛	5⅛	Goodyear	69⅞	73⅛	Westinghouse	70⅛	68⅛
W. Union Tel.	43	43⅛	Inter. Nickel	43⅛	43⅛	Woolworth	44⅛	43⅞

x. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield basis 21%. (e) To earliest Flat yield. (g) Yield basis 43½%. (h) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 14·8%. (i) Yield basis 13½% al bonus. (j) Yield basis 11½%. (k) Yield basis 8%. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 14%. basis 9%. (p) Also 5% net capital distribution. (q) Yield basis 22% gross. (r) Yield basis 32½%. (s) Yield basis 22·7% gross. (t) In addition subject to tax, from capital profits. Yield basis 10%. (u) Yield basis 15%. (v) Yield basis 7½%. (w) Yield basis 20%. (x) Yield basis 18·18% (y) Yield basis 11%, after capital bonus. (z) Yield basis 11½%. § Yield basis 40%. * Ex dividend.

Statistics

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

British		Overseas	
Prices and Wages	July 3rd	Western Europe: Production and Trade	July 3rd
Production and Consumption	July 10th	British Commonwealth	July 10th
Manpower	This week	Western Europe: Prices and Money Supply	This week
External Trade	June 26th	United States	June 26th
Financial Statistics	This week	World Trade	July 17th
Industrial Profits	July 17th		

Manpower in Great Britain

	Unit	Monthly averages			1953			1954			
		1951	1952	1953	April	May	June	Mar.	April	May	June
TOTAL MANPOWER (1)											
Working population:											
Total	'000s	23,228	23,294	23,373	23,353	23,373	23,373	23,432	23,478	23,515	
Men	"	15,791	15,864	15,883	15,887	15,888	15,883	15,901	15,923	15,926	...
Women	"	7,437	7,430	7,490	7,466	7,485	7,490	7,531	7,556	7,589	...
Armed Forces	"	827	872	865	866	867	865	846	842	841	...
Civil employment:											
Total	"	22,214	22,119	22,238	22,154	22,215	22,238	22,274	22,342	22,427	
Agriculture, forestry and fishing	"	1,139	1,112	1,087	1,068	1,082	1,087	1,034	1,049	1,064	...
Mining and quarrying	"	856	875	877	878	878	877	870	872	871	...
Building and contracting	"	1,449	1,435	1,437	1,427	1,437	1,437	1,404	1,416	1,426	...
Distributive trades	"	2,600	2,616	2,664	2,653	2,662	2,664	2,676	2,686	2,697	...
Public administration	"	1,350	1,336	1,320	1,324	1,321	1,320	1,310	1,309	1,308	...
Manufacturing industries	"	8,736	8,626	8,746	8,735	8,746	8,746	8,954	8,970	8,999	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1950:											
Employees in engineering (2)	"	+ 103	+ 212	+ 213	+ 218	+ 219	+ 213	+ 314	+ 325	...	...
" " consumer goods industries (3)	"	+ 74	− 126	− 8	− 26	− 13	− 8	+ 49	+ 54	...	...
UNEMPLOYMENT											
By duration:											
All durations—total	"	252·9	414·2	342·0	375·8	340·3	297·7	342·8	316·6	289·4	239·5
" " —men	"	161·5	227·8	218·2	239·4	214·3	193·5	224·1	203·3	184·7	156·0
" " —women	"	91·4	186·4	123·8	136·4	126·0	104·2	118·7	113·3	104·7	83·5
Temporary or under 2 weeks—men	"	49·8	87·8	68·8	74·2	66·9	59·9	63·2	59·8	55·3	47·4
" " " —women	"	37·7	94·7	44·0	46·8	43·0	35·6	38·0	37·7	36·3	27·6
Over 8 weeks—men	"	73·2	85·9	96·7	111·5	102·2	90·7	106·9	101·0	91·8	74·
" " —women	"	27·9	50·2	46·3	55·8	50·7	42·8	49·4	47·6	42·9	34
By industry (4):											
Textiles	%	0·8	8·6	1·4	1·5	1·4	1·2	1·0	0·9	1·0	
Clothing	"	1·7	2·9	1·3	1·1	1·2	1·5	1·3	1·2	1·2	
Vehicles	"	0·5	0·7	0·8	0·9	0·8	0·7	0·6	0·6	0·5	
Engineering, etc.	"	1·0	1·4	1·4	1·5	1·5	1·4	1·4	1·3	1·2	
Coal-mining	"	0·2	0·2	0·2	0·3	0·2	0·2	0·2	0·2	0·2	
Distributive trades	"	1·1	1·5	1·5	1·6	1·5	1·3	1·6	1·4	1·3	
By regions (4):											
Great Britain	"	1·2	2·0	1·6	1·8	1·6	1·4	1·6	1·5	1·4	
London and South Eastern	"	0·9	1·3	1·2	1·3	1·2	1·0	1·2	1·1	1·0	
Eastern	"	0·9	1·3	1·3	1·5	1·3	0·9	1·6	1·4	1·2	
Southern	"	1·1	1·4	1·4	1·4	1·4	1·1	1·4	1·3	1·1	
South Western	"	1·2	1·5	1·6	1·8	1·6	1·3	1·9	1·6	1·5	
Midland	"	0·4	0·9	1·1	1·3	1·2	1·0	0·7	0·7	0·6	
North Midland	"	0·5	1·0	0·7	0·7	0·7	0·6	0·7	0·6	0·6	
East and West Ridings	"	0·9	1·9	1·2	1·3	1·2	1·1	1·1	1·0	1·	
North Western	"	1·2	3·6	2·1	2·3	2·1	1·8	1·7	1·6	1·	
Northern	"	2·2	2·6	2·4	2·5	2·3	2·1	2·7	2·5	2·	
Wales	"	2·7	2·9	3·0	3·5	3·1	2·8	2·8	2·8	2·	
Scotland	"	2·5	3·3	3·1	3·3	3·0	2·7	3·3	3·1	2·	
VACANCIES											
Unfilled vacancies notified to Employment Exchanges:											
Total	'000s	313	230	270	279	281	296	288	326	3·	
Men	"	208	131	147	151	154	157	154	176	1·	
Women	"	105	99	123	128	127	139	134	150	1·	
DISPUTES (5)											
Workers involved	"	32	35	114	18	17	21	42	28		
Working days lost:											
Total	"	141	149	182	74	32	60	176	75		
Mining and quarrying	"	29	55	33	34	14	31	91	37		
Engineering, etc.	"	43	66	127	32	7	23	22	16		
Other industries and services	"	69	28	22	8	11	6	63	22		

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding and electrical goods, vehicles, metal goods, precision instruments, jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number as unemployed expressed as a percentage of the estimated number of employees. (5) United Kingdom.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
WHOLESALE PRICES (1) (1948 = 100)												
1938	31	26	44	6	63	0·4	43	2	36	55	52	21
1952	253	114	143	163	165	149	129	97	140	152	148	104
1953	239	107	134	155	160	173	129	96	134	152	139	107
1954, January	244	106	133	155	159	192	127	97	135	152	138	115
" February	240	106	134	155	159	192	126	98	136	153	138	119
" March	241	105	133	153	158	192	126	98	135	154	138	117
" April	242	105	134	154	158	193	...	98	136	154	139	118
" May	244	...	...	156	...	...	...	...	...	155	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	135	129	109
1953	210	106	123	144	108	160	126	117	130	136	130	113
1954, January	212	107	123	143	107	178	...	117	134	137	130	120
" February	213	108	...	144	108	178	125	118	135	138	130	122
" March	211	107	...	144	108	181	...	118	135	139	131	120
" April	212	107	124	142	108	183	...	...	136	...	132	125
" May	213	108	...	144	...	...	...	...	...	...	...	...
IMPORT PRICES (3) (1948 = 100)												
1938	...	27	40	7	39	...	39	2	24	32	45	21
1952	250	116	131	182	121	...	129	109	131	132	152	91
1953	269	110	118	164	106	...	121	102	116	125	140	89
1953, December	280	106	116*	161*	102	...	125	99	109	130	136*	88
1954, January	274	103	...	...	101	...	121	...	105	121	...	101
" February	272	106	...	...	100	...	124	...	114	123	...	97
" March	270	107	...	...	100	...	124	...	111	124	...	90
" April	264	...	...	...	100	...	...	...	...	118	...	...
EXPORT PRICES (3) (1948 = 100)												
1938	...	25	40	6	51	...	37	2	25	32	42	24
1952	263	120	114	158	131	...	126	107	117	137	153	122
1953	239	101	108	148	123	...	127	107	104	119	135	110
December	239	96	109*	143*	122	...	120	108	98	120	134*	110
January	238	92	...	...	120	...	127	...	98	117	...	111
February	226	94	...	...	121	...	127	...	101	117	...	111
March	233	95	...	...	119	...	126	...	99	121	...	109
April	241	...	...	...	120	...	...	...	...	123	...	...
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	'000 mn. kronor	mn. £T.
	...	23·6	425	112	...	...	18·2	19	1,048	455	1·04	213
	8·79	102·1	1,879	2,124	10·22	2,476	69·9	1,342	3,171	2,787	4·62	1,280
	10·25	105·9	2,032	2,310	11·98	3,503	74·3	1,424	3,394	2,998	4·89	1,461
	10·01	104·6	1,914	2,290	11·67	3,325	71·5	1,356	3,326	2,847	4·68	1,460
	10·15	103·6	2,050	2,301	11·87	3,174	70·7	1,323	3,367	2,848	4·67	1,493
	10·12	...	1,888	...	11·79	3,151	71·4	1,322	3,363	2,853	4·52	1,458
	10·33	...	1,903	...	12·00	3,443	72·1	1,319	3,436	2,869	4·65	1,479
	...	...	...	...	...	...	71·6	...	...	...	...	...
GOLD AND FOREIGN EXCHANGE HOLDINGS (4) (mn. US dollars)												
	...	736	76·7	2,791	...	26·8	59	201	1,003	128·3	512	34
	...	1,077	142·1	988	1,165	9·9	220	918	929	148·3	379	191
	...	1,090	166·8	956	1,984	10·5	234	952	1,161	138·4	425	213
	...	1,093	160·2	998	2,073	10·6	228	962	1,178	136·1	421	217
	...	1,095	166·0	1,038	2,137	10·6	229	965	1,167	128·1	400	211
	...	1,093	177·2	...	2,214	10·6	232	...	1,171	132·6	386	212
	...	1,082	177·6	...	2,271	10·6	234	...	1,172	134·2	394	215
	...	1,071	175·2	...	...	10·6	233	...	1,214	142·8	393	...

es 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 ember, 1948=100. (3) Index numbers of unit value which compare the current average value of trade with its value in 1948; they are changes in the composition of trade as well as price movements. Index numbers for Germany based on 1950. (4) Notes only for France and Holdings of the government and central bank at end of period: figures for Greece are gold reserves only. (5) Average for fourth quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended July 17th there was an "above-line" deficit (after allowing for Sinking Funds) of £3,769,000 compared with a surplus of £5,701,000 in the previous ten days and a deficit of £29,558,000 in the corresponding period of last year. This brought the cumulative deficit to £146,450,000 (£184,771,000 in 1953-54). Net expenditure "below-line" absorbed £20,967,000 bringing the total cumulative deficit to £273,237,000 (£334,419,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to July 18, 1953	April 1, 1954 to July 17, 1954	Week ended July 18, 1953	Week ended July 17, 1954
Ord. Revenue					
Income Tax	1800,000	295,631	278,513	17,119	20,358
Sur-tax	132,000	24,000	23,500	1,000	900
Death Duties	164,375	52,600	52,900	2,400	2,400
Stamps	55,000	15,800	19,800	900	1,300
Profits Tax & EPT	172,000	55,900	40,000	5,100	5,200
Excess Profits Levy	60,000	15,050	23,600	600	2,500
Special Contribution and other Inland Revenue	1,000	330	450	...	50
Total Inland Rev.	2384.375	459,311	438,763	27,119	32,708
Customs	1062,500	315,824	329,647	18,846	20,647
Excise	719,000	187,510	188,480	4,235	4,055
Total Customs and Excise	1781,500	503,334	518,127	23,081	24,702
Motor Duties	77,000	9,258	10,201	109	631
Broadcast Licences	21,000	3,000	3,850	...	...
Sundry Loans	24,000	6,201	5,842	3	...
Miscellaneous	245,000	28,116	35,506	74	4
Total	**4532,875**	**1,009,220**	**1,012,288**	**50,386**	**58,045**
Ord. Expenditure					
Debt Interest	570,000	148,394	149,542	110	...
Payments to N. Ireland Exchequer	51,000	12.884	13,057	...	...
Other Cons. Fund	10,000	3,677	3,331	4	174
Supply Services	3855,399	1,021,186	983,935	79,400	60,800
Total	**4486,399**	**1,186,139**	**1,149,865**	**79,514**	**60,974**
Sinking Funds	36,000	7,852	8,873	430	840
"Above-line" Surplus or Deficit	—	**184,771**	**146,450**	**29,558**	**3,769**
"Below-line" Net Expenditure		149,648	126,787	24 091	20,967
Total Surplus or Deficit	—	**334,419**	**273,237**	**53,649**	**24,736**
Net Receipts from:					
Tax Reserve Certificates		63,471	137,707	204	– 3302
Savings Certificates		9,200	4,600	– 500	– 300
Defence Bonds		21,712	8.089	– 593	– 260

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
July 18.....	3,220·0	1,444·0	263·5	0·8	4,928·3
1954					
April 17.....	3,190·0	1,382·7	308·3	...	4,881·0
„ 24.....	3,210·0	1,359·3	315·0	...	4,884·3
May 1.....	3,230·0	1,350·2	287·2	...	4,867·4
„ 8.....	3,240·0	1,272·2	266·9	...	5,134·2
„ 15.....	3 260·0	1,627·9	276·8	...	5,164·7
„ 22.....	3,290·0	1,595·7	305·0	...	5,190·6
„ 29.....	3,320·0	1,579·8	270·6	...	5,170·4
June 5.....	3,340·0	1,274·1	278·9	...	4,893·1
„ 12.....	3,320·0	1,352·8	274·6	...	4,927·3
„ 19.....	3,300·0	1,372·1	296·1	...	4,968·2
„ 30.....	4,700·0		268·6	3·3	4,971·8
July 10.....	3,280·0	14,32·5	260·2	...	4,972·7
„ 17.....	3,260·0	1,411·6	267·2	...	5,038·8

THE MONEY MARKET

CREDIT conditions became difficult in Lombard Street around last week-end, mainly on account of the lack of maturing Treasury bills caused by the incidence of Easter three months before. Small special purchases were made by the authorities (indirectly through the banks) on Friday and Saturday; and on Monday very large official help was needed and given, again mainly indirectly. Conditions eased slightly on the following day, although moderate official help was still necessary, and on Wednesday credit became plentiful and there was even a small balance of idle funds.

At last week's Treasury bill tender applications rose steeply by nearly £37 million to the near-record level of £433.1 million. The offer had been reduced by £30 million to £240 million and the market merely maintained its bid at £99 12s. 2d; the upshot was that the market's allotment fell sharply from 6s to 3s per cent. The offer at yesterday's tender was further reduced to £230 million.

The Bank return shows a sharp increase in the flow of notes into circulation, to £25.3 million. This brings the total outflow in the first three weeks of July to £53.9 million, compared with £41.5 million in the corresponding weeks of 1953. Government securities rose by only £13.7 million over the week, so that bankers' deposits fell by £10.2 million to £277.5 million.

LONDON MONEY RATES

	%		%
Bank rate (from 3½%. 13/5/54)	3	**Discount rates**	
		Bank bills: 60 days	1⅞
Deposit rates (max)		3 months	1⅞
Banks	1½	4 months	1⅞
Discount houses	1½	6 months	1⅞
Money—Day-to-day	1½-1⅞	Fine trade bills:	
Short periods	1½-1⅞	3 months	2½-3
Treas. bills 2 months	⅞	4 months	2½-3½
3 months	1⅛	6 months	3 -4

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	July 22	July 14	July 21
Issue Department:*			
Notes in circulation	1,586·5	1,666·0	1,701·3
Notes in banking dept.	15·8	49·4	24·1
Govt. debt and securities*	1,596·8	1,721·2	1,721·2
Other securities	0·7	0·8	0·8
Gold coin and bullion	2·9	3·4	3·4
Banking Department:			
Deposits:			
Public accounts	9·9	14·9	12·7
Treasury special account	38·4	8·7	8·7
Bankers	272·5	287·7	277·5
Others	66·7	67·1	68·9
Total	387·5	378·4	367·8
Securities:			
Government	364·3	323·4	337·1
Discounts and advances	12·6	7·8	8·8
Other	12·5	13·9	13·9
Total	389·4	345·1	359·8
Banking department reserve	16·3	51·6	26·3
"Proportion"	% 4·2	% 13·6	% 7·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,675 million to £1,725 million on July 13, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s. d.	Allotted at Max. Rate* %
1953					
July 17	250·0	385·7	250·0	47 3·60	48
1954					
April 15	230·0	417·2	230·0	41 7·41	44
„ 23	230·0	415·4	230·0	41 7·34	38
„ 30	230·0	437·5	230·0	40 11·36	38½
May 7	240·0	406·6	240·0	40 10·84	42
„ 14	260·0	391·7	260·0	34 1·75	50
„ 21	270·0	400·7	270·0	34 3·24	54
„ 28	270·0	426·8	270·0	34 3·33	49
June 4	270·0	414·3	250·0	32 11·61	58
„ 11	260·0	418·5	250·0	32 3·56	57
„ 18	260·0	400·4	250·0	31 7·57	56
„ 25	260·0	426·0	260·0	32 1·48	38
July 2	270·0	384·0	270·0	32 3·41	60
„ 9	270·0	396·2	250·0	31 3·90	65
„ 16	240·0	433·1	240·0	31 2·27	3

* On July 16th tenders for 91 day bills at £99 12s secured about 34 per cent of the sum applied for; tenders were allotted in full. The offering yesterday w a maximum amount of £230 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: July 21	Market Rates: Spot: July 15	July 16	July 17	July 19	July 20
United States $	2·78·2·82	2·81⅛-2·81⅞	2·81⅛-2·81⅞	2·81⅛-2·81⅞	2·81⅛-2·81⅞	2·81⅛-3·81⅛
Canadian $	...	2·74⅛-2·74⅝	2·74⅛-2·74⅝	2·74⅛-2·75	2·74⅛ 2·74⅞	2·74⅛-2·74⅝
French Fr.	972·65-987·35	979½-980	979½-980	980-980½	980 980½	980-980½
Swiss Fr.	12·15⅝-12·33⅝	12·20½-12·20½	12·20½-12·20½	12·20-12·20½	12·19½-12·20½	12·19½-12·20½
Belgian Fr.	138·95-141·05	140·15-140·20	139·95-140·00	140·00-140·05	140·02½-140·07½	140·10-140·15
Dutch Gld.	10·56-10·72	10·61⅛-10·62½	10·61⅛-10·62½	10·62½ 10·62½	10·62½-10·62½	10·62½-10·62½
W. Ger. D-Mk.	11·67⅛-11·84⅛	11·71¼-11·71¾	11·71¼-11·71¾	11·70½-11·71¼	11·71¼-11·71¾	11·71¼-11·71¾
Portuguese Esc.	79·90-81·10	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05
Swedish Kr.	14·37½-14·59½	14·52½-14·52½	14·52½-14·52½	14·51¼-14·52½	14·52½-14·52½	14·52½-14·52½
Danish Kr.	19·19½-19·48½	19·40½-19·40½	19·40½-19·40½	19·40-19·40½	19·39½-19·40½	19·40-19·40½
Norwegian Kr.	19·85-20·15	20·01-20·01¼	20·01-20·01¼	20·01-20·01¼	20·01 20·01¼	20·01-20·01¼
One Month Forward Rates						
United States $		¼c. pm-par	¼c. pm-par	¼c. pm-par	¼c. pm-par	¼c. pm-par
Canadian $		Par-¼c. dis	Par-¼c. dis	Par-¼c. dis	Par-¼c. dis	Par-¼c. dis
French Fr.		2⅛-4⅛ dis	2⅛-4⅛ dis	2⅛-4⅛ dis	3 5 dis	3-5 dis
Swiss Fr.		1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm par
Belgian Fr.		⅛ pm-⅛ dis	⅛ pm-⅛ dis	⅛ pm-⅛ dis	⅛ pm-⅛ dis	⅛ pm-⅛ dis
Dutch Gld.		1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm
W. Ger. D-Mk.		½pf.pm-½pf.dis	½pf.pm-½pf.dis	½pf.pm-½pf.dis	½pf.pm-½pf.dis	½pf.pm-½pf.dis
Swedish Kr.		1¼-1⅝ pm	1¼-1⅝ pm	1¼-1⅝ pm	1¼-1⅝ pm	1¼-1⅝ pm
Danish Kr.		4-7⅝ dis	4-7⅝ dis	4-7⅝ dis	4-7⅝ dis	4-7⅝ dis
Norwegian Kr.		1⅝ pm-1⅝ dis	1⅝ pm-1⅝ dis	1⅝ pm-1⅝ dis	1⅝ pm-1⅝ dis	1⅝ pm-1⅝ dis
Gold Price at Fixing						
Price (s. d. per fine oz.)		248/11½	248/11½	...	248/11	248/11½

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(Incorporated under the National Bank of Pakistan Ordinance, No. XIX of 1949, and sponsored by the Government of Pakistan. The liability of members is limited.)

ESTABLISHED 1949

Authorised Capital ...	Pak Rs. 6,00,00,000
Issued and Subscribed	Pak Rs. 6,00,00,000
Paid-up	Pak Rs. 1,50,00,000
Reserve Fund (31.12.53)	Pak Rs. 37,50,000
Deposits (31.12.53) ...	Pak Rs. 29,27,27,586

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COMPANY MEETINGS

THE BOWATER PAPER CORPORATION LIMITED

SIR ERIC VANSITTART BOWATER'S ADDRESS AT THE EXTRAORDINARY GENERAL MEETING OF ORDINARY STOCKHOLDERS

At the extraordinary general meeting held in London on Tuesday, July 20th, at which nearly one thousand ordinary stockholders were present, the chairman of the Bowater Paper Corporation, Sir Eric Vansittart Bowater, who presided, said:

It is indeed a delight to me again to welcome so very considerable a gathering of our stockholders, for it is only four months since I last had the pleasure of meeting you at our annual general meeting at Sittingbourne, and it is gratifying to me that so many of you should have again taken the trouble to come along, particularly so as the main purpose of our meeting today will doubtless rank in your minds as being largely a formality, for I cannot think that many if indeed any one of you would wish to do other than confirm the resolution relating to the proposed funding issue.

All too frequently, I fear, stockholders are inclined to treat these more or less formal company meetings as being of scant importance and without significance; to some extent anyway this may be the fault of directors in not seeking to make such meetings more interesting and to appear worth while. All this makes me doubly glad that you have seen fit to attend today.

We have a great number of stockholders resident in the north of our country or so far distant from London as to make it somewhat inconvenient or too expensive to attend meetings in London or the south; this being so we are considering holding our next annual general meeting in the north where not only have we several large plants but where also an important part of our business is centred and where we contemplate major developments in the near future.

At the end of the meeting I hope that as many of you as can afford the time will stay to see the film "A Newfoundland Enterprise" and join us in a cup of tea and, should you care to, perhaps take the opportunity this presents of talking over with us such aspects of our affairs as may be of particular interest to you.

FUNDING ISSUES

At our annual general meeting I informed you that it was our intention to recommend to you the distribution of £1,800,000 out of our capital reserves in the form of one new £1 ordinary share for every £3 of ordinary stock held, this of course being calculated on the basis of our now issued ordinary capital of £5,400,000 to which figure it was increased by the recent successful issue of ordinary shares under the terms of the option agreements that were still outstanding at the date of that meeting. Following on the funding issue now proposed our issued ordinary capital will amount to £7,200,000; but even then it still will not be wholly in line with the true value of our assets.

I also promised at the same meeting that some time after the final date for exercising the outstanding options, which was May 31st, but before the end of the year, I would call you together for the purpose of seeking your approval of this funding issue and in making good that promise I chose this the earliest convenient practicable date to do so.

With the consent of the Capital Issues Committee, which was readily granted, certain of our subsidiary companies in the United Kingdom have also capitalised some part of their reserves and undistributed profits to an aggregate amount of £1,300,000 and have distributed them in the form of additional ordinary shares to your Corporation, who are the owners of the whole of the equity capital in the companies concerned.

FURTHER DISTRIBUTION NEXT YEAR

I think it is reasonable to assume that later on our Canadian mill subsidiary will, probably by or before December 31st next, the date to which I would remind you our next accounts will be made up, also decide again to capitalise some part of its earned surplus, and if, as I anticipate, the board of that company decide upon the continuance of their policy in this regard it may, I think, be expected that during next year we might again be in a position to recommend to you a further capitalisation and distribution of reserves on some modest scale, for it seems to us to be appropriate—by means of such increases in the nominal value of the holdings of our ordinary stockholders—formally to recognise to some extent the very large sums that for so long now have annually been ploughed back into the businesses of our principal subsidiary companies and in this way also to bring the total of the issued capital of the Corporation still more nearly into line with the true value of its assets.

There was sent to you also notice of a second resolution upon which you will shortly be asked to vote, and as this is of a very personal nature relating to myself, I shall not of course participate in that part of these proceedings, and when the time comes I shall ask our vice-chairman, Sir John Keeling, to put that resolution to you, but I might perhaps be permitted to make a few comments in connection with this matter. The first is that the proposal before you was the spontaneous suggestion of my colleagues on the board, which I deeply appreciate. And the second is that I was informed that legally there was no obligation to seek the consent of our stockholders to this proposal, but having regard to its nature I preferred, as did my colleagues, that we should seek your approval before giving effect to it.

It may be of some small interest to those of you who are perhaps unfamiliar with our history, that when I first took charge of your Corporation's affairs, some thirty years ago now, the capital of the then private parent company was £125,000 and it had just decided upon the construction of our first manufacturing plant, now Bowater's Thames Paper Mills. Today our assets exceed £75 million and the productive capacity of our plants throughout the world is of the order of 1 million tons of paper annually, and each year we draw from our own resources some 800,000 tons of raw materials. I cannot and do not wish to claim anything approaching the sole credit for this, for my colleagues here and overseas, past as well as present, are in a large measure responsible for this achievement, my good fortune being the privilege of leading so magnificent a team of able and loyal men.

SATISFACTORY EARNINGS AND OPERATIONS

You will not, I am sure, either want or expect me to occupy a great deal of your time at this meeting, for those of you who are able to remain will, I know, be anxious to see the very interesting film depicting some of our activities in North America that we shall be showing to you after the termination of the formal proceedings. However, you will, I believe, like to hear from me something of the progress of your organisation since we last met, and I am very gratified to be able to report to you that your business, in common with others engaged in our industry, continues to enjoy a substantial measure of prosperity. From figures so far available I am able to tell you that to date our earnings are running at least at the same satisfactory level as those for our previous year's trading, and prospects, for anyway the immediate future, are by no means unfavourable. All our plants in this country and overseas continue to operate to capacity and, indeed, we are experiencing some difficulty in fulfilling all our obligations to our many customers, particularly in the fields of newsprint and magazine paper, but we are doing our utmost to press forward with the developments we have in hand designed further to increase our productive capacity, with the object of course of ameliorating, if not wholly relieving, this situation.

TENNESSEE MILLS NOW IN OPERATION

In this connection I know you will be pleased to learn that since we last met the new mills of Bowater's Southern Paper Corporation in Tennessee have come into operation both for newsprint and pulp and will, I hope and expect, quickly achieve a reasonably high level of production of both. It will be of interest to you to know that the first cargo of pulp is now on its way to this country and that the production of the pulp mill has in fact already exceeded its rated capacity. Publishers in the United States who have used it speak well of our first deliveries of newsprint from the new mills, and the coming into operation of this important addition to our productive capacity will help materially to relieve the great pressure on our Canadian mills, which, during recent times, have been hard pressed to supply all the needs of our many customers on the North American continent.

It had been, as you know, my hope an expectation that I would be present Tennessee when the mills there first star up, but unfortunately some slight delay occasioned by unexpected hold-ups occurred in connection with the install of piping and of electrical cabling, and unable to prolong my stay for a suffi time to be present on that exciting occa Despite this delay, however, operations commenced within two years of groun ing first broken on the site, an achieve that is not without its satisfaction in times.

Perhaps I should remind stockholder the initial productive capacity of these is 130,000 tons of newsprint and 55,00 of sulphate pulp annually. This pulp course surplus to the mills' own re ments of this material and is therefore able for shipment to and use in other mills, including our own mills in the Kingdom. This additional producti newsprint and pulp constitutes a va contribution to the requirement Southern United States newspaper lishers and to our own requirements o

type of pulp; moreover, it is, of course, another step in furtherance of our policy of controlling some part of our requirements of the many varieties of raw materials that we consume.

An important, and I think unique, feature is that at the start-up of this great new project its entire production has from the outset been sold under contracts for fifteen years ahead.

FREEDOM TO DEVELOP IN NORTH AMERICA

I recently caused to be sent to you the report of a meeting of our First Debenture stockholders held on June 3rd last, from which you will have observed that the resolution submitted to that meeting was carried by an overwhelming majority. This resolution released from the specific charge in favour of the trustees for our first debenture stock, the common stock of Bowater's Newfoundland Pulp and Paper Mills Limited, which stock is now owned by The Bowater Corporation of North America Limited, whose headquarters are in Montreal and the whole of whose capital is in turn owned by the parent Corporation. The release of this charge over this, one of its principal assets, has assured to the North American Corporation a much greater degree of financial freedom and flexibility. While, as I said at that meeting, I did not wish to give the impression that we had any major projects for further development on the North American continent under immediate contemplation, we felt that it was essential that we should be free to take advantage of any opportunities for the further development and expansion of our interests in Canada and the United States that might present themselves, as we feel confident that from time to time they will.

UK NEWSPRINT SUPPLIES

We are doing our utmost also to achieve a greater production of newsprint in the United Kingdom, for we recognise to the full the vital importance to the newspaper publishers of this country of increased supplies of newsprint from domestic sources, not only in their but in the national interests also, for many foreign currencies are still not yet in abundant supply. We have promised the British newspaper publishers that we will do what we can to increase our deliveries to them during next year, and we shall spare no effort to this end. They, like ourselves, have to plan their affairs ahead but for our part, under the continuance of Government control both of the consumption of newsprint and of Treasury allocations of the foreign currency necessary to acquire our full requirements of raw materials, it is not possible at this stage for us be precise in our undertakings as to quantities we shall be able to deliver a year more ahead. I would like it to be clear and understood, however, that in this important matter we regard the interests of our publisher friends and ourselves as being identical and indeed, I might say, identical. Our part we are anxious to increase our deliveries of newsprint to them, and for their they are anxious, as are we too, to see determination of continued vexatious government control over their use of that commodity.

Some of you may think that in what I am saying I am seeking to look rather a long way into the future but nevertheless, subject to unforeseen circumstances arising, it is my belief that we can look forward to a high level of production of our plants in the United Kingdom and overseas for some years to come and, I hope also, to continued reasonable stability in the level of prices both for our raw materials and for our many manufactured products.

INTERIM DIVIDEND INDICATED

Another thing I told you at our annual general meeting was that, having regard to the change of date to which our accounts would in future be made up, which entailed the current financial period being extended to fifteen months, it would be our intention on this occasion, assuming our earnings to justify it, to pay an interim dividend. It is my pleasure to inform you that in our belief our earnings to date are such as to warrant the payment of an interim dividend and our present intention is to do so in the month of October next. The additional ordinary shares now to be distributed, assuming you pass the necessary resolution that I shall later put to you, will of course rank for that dividend *pari passu* with those in current issue.

As you are fully aware, we have always followed a conservative line in the conduct of all our affairs, whether they relate to our finances, including the basis of the allocation of our profits as between their distribution by way of dividends and their retention in the business for its further development, or the day-to-day conduct of our operations, and I want to assure you that it is my intention to continue this policy and from the remarks I have made today I do not want you to think that I intend in any way diverging from that policy. In conclusion, may I say that proxies have been received from a very considerable body of stockholders, and although the existence of these in effect assures the adoption of the resolutions, it will be necessary formally to demand a poll in each case which I or Sir John Keeling propose respectively to do after putting the resolutions to you.

The resolutions submitted to the meeting were carried by overwhelming majorities, the results of the polls being, Resolution No. 1 1,917,041 *votes for and* 1,905 against, and *Resolution No. 2* 1,789,767 *votes for and* 127,845 *votes against.*

THE TRUSTEES CORPORATION LIMITED

SIR EDWIN HERBERT'S REVIEW

The 66th annual general meeting was held on July 21st in London.

Sir Edwin S. Herbert, LLB, the chairman, in the course of his speech, said: Once again we are able to report that our revenue of £416,043 from interest and dividends shows a satisfactory increase. This year it is £15,231 over the previous year.

The market value of our investments at £7,164,615 shows a surplus of £3,446,438 over the book figure or an appreciation of 92.7 per cent as against 56.2 per cent last year. I would draw your attention to the position of our disclosed reserves which, for the first time, exceed one million pounds.

The year under review has been one of marked activity on the Stock Exchange, activity which appears still to continue.

The revival of inflationary tendencies becomes more serious than ever before as we move away from controls in the direction of freedom. This freeing process has without doubt acted as a tonic to our industrial and commercial system. But freedom in business as in every other activity of life carries with it responsibility. Putting it bluntly we cannot have more than we earn and what we earn is conditioned by the price and quality of the goods and services we have to offer in competition with those of others. We cannot hope to prosper unless everyone concerned, management and labour and finance alike, face the facts of life.

The report was adopted and a total dividend of 24 per cent approved.

SALTS (SALTAIRE)

SIR FRANK B. SANDERSON'S ABRIDGED REVIEW

The thirty-first annual general meeting of Salts (Saltaire) Limited was held on July 21st at Saltaire, Yorkshire.

Sir Frank B. Sanderson, Bart (chairman), in the course of his speech, said:

Profit on trading of the group for the year ended March 31, 1954, amounts to £1,208,261, compared with £756,697 for the previous year, showing an increase of £451,564. The group trading profit includes the results of the two new subsidiaries—W. M. Rennie and Company, Limited, and Josiah France, Limited—from the respective dates of acquisition, but as these subsidiaries have not contributed for a full year the amount involved is not material. After providing £625,832 for taxation, the net profit of the group amounts to £592,743.

£307,500 has been transferred to general reserve, and the expenses of the reorganisation of the capital amounting to £11,811 have been written off. The board recommend payment of the following dividends, subject to income tax: (a) A final dividend of 3½ per cent on the 7 per cent non-cumulative preference shares. (b) A dividend of 12½ per cent on the ordinary shares.

The 12½ per cent dividend on the ordinary shares of 5s. each is equivalent to 7½d. per share. This compares with the dividend of 6d. per share paid last year on the ordinary capital in its old form of 1s. shares.

All our subsidiaries have experienced a successful year's trading, and all have made profits which have contributed towards the results which are placed before you.

Wool values have been on a more level basis than for several years, but your directors continue to view with some misgivings the present high level of values.

Your board continue to use every effort to increase our turnover in export markets, and particularly in the dollar countries. Commonwealth countries, the United States and other foreign countries have been visited by directors and executives of the group, with gratifying results.

It is hoped our Government will use every endeavour to facilitate trading in markets which are now buying our products and to reopen markets where we are now debarred from trading owing to financial and import restrictions.

We are meeting today in many markets fierce competition from Japan, who sell yarn and cloth at prices which appear to be completely unremunerative.

The results for the current year are not easy to anticipate. It must be borne in mind that a large portion of our output is exported to many parts of the world, where the demand fluctuates due to causes beyond our control. Competition for business at home and overseas is keener, with the result that all profit margins are narrowed.

We are living in an unsettled world fraught with difficulties and change. It is not possible to forecast far into the future.

A high machinery activity has been maintained for the early months of our present financial year. The technical and mechanical improvements which are constantly being made place your company in a favourable position to grasp every opportunity that presents itself and to meet any reasonable competition.

As far as can be foreseen, it is anticipated your company will be able to give a satisfactory account of itself at the next annual meeting. The report was adopted.

PATONS AND BALDWINS LIMITED

The annual general meeting of Patons and Baldwins Limited will be held on August 25th at Darlington.

The following is the statement by the chairman, Mr Philip A. Wright, circulated with the report and accounts for the year ended May 1, 1954:

In my statement with the company's accounts for last year I emphasised the extent of the recovery which had been made from the low level to which trade had fallen in the autumn and winter of 1951-52, and I stated that during 1952-53 the sales of hand-knitting wools had in weight been an all-time record. During the trading year to May 1, 1954, for which the accounts are now presented, we have maintained and even consolidated our position. Our sales of hand-knitting wools have again been substantially increased and have established a new record in turnover. Your company's branded hand-knitting wools are so well known that it is often overlooked that we are also very large spinners of manufacturing yarns for hosiery and other purposes, and in this competitive market I am glad to say we have also substantially increased sales and established a new record in weight sold.

Your board is constantly aware of the need to keep the selling price of the company's products as reasonable as possible and with this in view maintained the prices of branded hand-knitting wools unchanged between December 1952, and June 1954, despite rising raw material and manufacturing costs. Since December, 1952, costs have risen as follows:

Raw materials	...	10 per cent
Productive wages	...	12 per cent
Coal	...	11 per cent
Electricity	...	18 per cent
Transport	...	15 per cent

Fortunately higher production and improved efficiency have enabled us to absorb part of these increases and they are, therefore, not fully reflected in the increased selling prices which we have reluctantly been compelled to institute as from June 15, 1954.

In the hosiery and machine knitting trade there is an increasing demand for improvement in such things as fastness of colours, shrink resistance, etc., and this has brought many problems in its train. Your Board is fully alive to the situation and our constant and increasing research into the many facets of these problems results in a continual improvement in our yarns.

The narrower profit margins due to increasing raw material and production costs and our policy of maintaining the selling price of branded yarns unchanged throughout the selling season have, despite the record turnover achieved, resulted in a fall in trading profits compared with 1952-53. It should however, be recalled that that year was one of continually advancing raw material prices and the company was able to realise to advantage the stocks which were carried at the lower market values ruling at the beginning of the year.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The surplus on trading brought into Section I of the consolidated profit and loss account is £2,727,492, compared with £3,185,940 for 1952-53, thus illustrating the comments I have already made.

During the year the company completed negotiations in connection with the disposal of the remaining portions of Clark Bridge Mills, Halifax, and of certain office premises in Leicester. These sales, together with the sale of the boiler and motive plant no longer required at the old Halifax premises have yielded a surplus over book values of £43,824. In complying with the sinking fund redemption obligations under the trust deed securing the company's issue of 4 per cent first mortgage debenture stock a total of £56,387 nominal of stock was purchased during the year at prices slightly below par and the credit involved of £1,958 is shown separately in the accounts.

On the debit side of Section I of the profit and loss account are given the items which the Companies Act and practice in these matters requires us to show and they call for no particular comment on my part. A total of £130,498 is charged for bonus to employees and the directors are glad that the results of the year justify recognition of the efforts of our workers both at home and abroad by this share in the profits of the year.

The balance carried from Section I to Section II of the profit and loss account is £1,909,628, compared with £2,474,710 last year.

In Section II is shown the continuing heavy share which various tax collectors exact of the trading profit. The total charges for taxation, including profits tax on the preference and ordinary distributions paid or now recommended, amounts to £1,240,866, or nearly 65 per cent of the surplus of £1,909,628 brought in. This is an intolerable burden for productive industry year after year, and it is to be hoped that the Chancellor of the Exchequer with the wholehearted support of the whole of the Government and its multifarious departments can initiate an economy of state expenditure in all directions, without which there seems little prospect of the substantial reduction in taxation both on industrial profits and personal rewards which is so long overdue. The recent Budget introduced new investment allowances for capital expenditure, and we shall in due course benefit as your board is constantly alive to the need for improvement in productive efficiency and this almost always involves capital expenditure.

Happily we have a relief this year from the full severity of the tax burden as £202,264 has been brought back to Section II from British and Dominion taxation provisions not required. The greater part of this release of provisions made in earlier years arises as a result of our having settled, upon a more favourable basis than was expected, the liabilities arising as a result of the sale of the fixed assets of the company's former branch in Australia to the subsidiary company, Patons and Baldwins (Australia) Limited formed in 1951. The balance of the credit arises as a result of reductions in taxation rates effected by the Australian Government last year, a lead which it is earnestly to be hoped can be followed in due course here at home.

Taking into account the items I have mentioned and after excluding £96,092 for the interest of outside minority stockholders in the profits of Patons and Baldwins (Australia) Limited, the net surplus for the year of £774,934 is carried to the appropriation section, compared with £1,628,616 last year. In comparing, however, these two figures it must not be forgotten that last year's balance contained over £600,000 of non-recurring credits, compared with only some £245,000 this year. Last year, too, the charges for taxation were reduced by reason of the loss sustained in 1951-52.

APPROPRIATION ACCOUNT

Patons and Baldwins (Australia) Limited has had a satisfactory trading year and has maintained the rate of distribution on its ordinary stock at 6 per cent, transferring in addition a substantial sum to reserve after having written off the balance of its formation and share issue expenses which amounted to £A.40,000. The parent company's proportion of the reserve appropriation of the Australian company amounts to £79,681, and this is the first item shown in the appropriation account.

I have already mentioned that during the year debenture stock to the nominal value of £56,387 was redeemed and, accordingly, this sum has been transferred from profits to capital reserve.

A preliminary announcement of your board's intention to recommend to stockholders the capitalisation of share premium account, which amounts to £2,482,876, and a balance of £155,953, from profit and loss account and the issue of 2,638,829 new fully paid ordinary shares on a one-for-one basis was made in May. A circular setting out full particulars of the directors' proposals is sent with these accounts to those stockholders concerned. For the sake of clarity, the board, in presenting the accounts this year, have transferred from the profit and loss account to capital reserve the amount of £155,953 required for the capitalisation proposals. After bringing in the amount brought forward on profit and loss account of £502,828 and deducting the preference dividends already paid and the interim ordinary dividend at the rate of 5 per cent paid in February, there is available for appropriation a sum of £798,573, and the directors recommend the disposal of this amount in the following manner:

£	
217,703	in payment of a final dividend on the ordinary stock of 15 per cent, making a total of 20 per cent for the year.
580,870	to be carried forward to next year.
£798,573	

The board is this year departing from the practice of recommending the final distribution on the ordinary stock as a dividend, plus a bonus in favour of a straight final dividend of 15 per cent.

You will notice that your board recommends that the amount carried forward on profit and loss account be increased from £502,828 to £580,870. At a cost of reducing the carry forward by some £20,000 it would have been possible to recommend an appropriation of £100,000 to contingencies reserve, but the directors have not done this as in present circumstances they are of the opinion that the reserve at its present level of £3,100,000 is adequate. It will, however, continue to be the policy of the board to build up the reserves of the company as opportunity arises.

CONSOLIDATED BALANCE SHEET

Taking the group as a whole, net assets after deducting the interest of minority stockholders, have risen from £15,316,733 to £15,718,733—an increase of £401,936. The net value of fixed assets has fallen over the year by £187,462 for, as I indicated last year, our capital expenditure has steadied down to a more normal level; we are, however, embarking on an extensive reorganisation of our older Scottish mills and this in addition to the continual modification and replacement of machinery, which an up-to-date approach to production problems necessitates, will involve considerable expenditure over the next few years.

Whilst on the subject of machinery I may add that the company has during the last two years been closely associated with Mr G. F. Raper in the development of the Raper Drawing System. This development was accounted a great success at the Manchester Textile Machinery Exhibition in October last year and is now in commercial production. We are glad to have been able to foster this new drawing system for the benefit of the textile industry as a whole.

The chief and very welcome change in the appearance of the group balance sheet is the disappearance of bank overdrafts which on May 2, 1953, stood at £1,821,838. Group stocks have fallen by only £373,208 between the two balance sheet dates. Taking into account the substantially increased turnover to which I referred earlier in my remarks these two changes are all the more remarkable. I am happy to say they are the result of an extensive reorganisation undertaken a while ago into the control and organisation of our stocks, our wool buying, and planning of production. The new plans made to cope with these problems have not only enabled us to improve the efficient service which our customers expect, but have enabled us to turn over our stocks more frequently with resultant economy. Whilst we must still expect to have recourse to our bankers for the finance of peak stocks we hope that requirements in this direction will be on a lower level than for the past two years or so. Your board records its gratitude for the helpful and co-operative approach to finance problems which has been shown by the company's chief bankers.

Despite the fall in bank overdrafts of £1,821,838, current liabilities as a whole have only fallen by £1,285,948, there being an increase in the amount required for current taxation, British and Dominion, of £282,853 and other increases in normal trade liabilities. The amount set aside for future taxation has increased from £715,239 to £844,836.

EXPORTS

Sales to the export markets during the year under review have been well maintained. The resurgence of the European textile industry since the war, particularly in Germany, has led to considerably increased competition in many of our markets. This has been accentuated by the subsidised exports of tops from Uruguay, which, though a duty of 10 per cent is payable on entry to the United Kingdom, enter some countries free of duty. Shortage of sterling exchange in other countries, such as Japan and France, has also made export sales more difficult. The recent further freeing of sterling is a step towards freedom of trade and it is to be hoped that the coming year will see the easing of currency and other restrictions in South America and elsewhere. The reputation of the company's products throughout the world is such that we should have no difficulty in strengthening our position once these artificial barriers to trade are removed.

PERSONNEL

I have already mentioned that a bonus to employees at home and abroad has again been paid out of the profits of the year and it is gratifying that the diligent and faithful service of our workers and staff can thus be rewarded. The board have recently introduced a scheme for the recognition of long service with the company which gives benefits of a material kind to those completing 15, 25 and 40 years' service. After 40 years' service an employee is also presented with a suitable memento of the occasion and it is worthy of note that at the inception of the scheme no less than 84 men and women were already qualified by their time with the company for recognition in this way.

FUTURE PROSPECTS

Since March of this year there has been a continual rise in the price of raw wools in the primary markets and the tendency is still upwards. Stocks in the wool growing areas are negligible except in South America where there is still a certain amount unsold. In the consuming centres, such as Bradford, stocks of wool and tops are below average, and those in the hands of manufacturers and distributors would not appear to be excessive. The increasing demand from Russia, China and the countries behind the Iron Curtain is also a factor likely to have quite an influence on world wool prices. On the other hand, the wool textile trade in the USA and Canada is still in the doldrums, though there are signs that the corner has been turned and an improvement is on the way. At home and on the Continent there is at the moment a lull while the trade adapts itself to the new price levels, and order books are not filled so far ahead as they were a year ago, but this, I expect, will only be temporary.

Taking all things into consideration, I see little sign of an easing in raw material price levels this year even when the full weight of the Australian and New Zealand clips again comes on the market. It would appear that the world demand for wool, in spite of the increasing output of man-made fibres, is likely to absorb easily the available raw material as it comes to hand.

As regards your company I look forward in the coming year to increased sales of hand-knitting wools, to at least holding our own in the manufacturing yarn trade and I shall be disappointed if the coming year does not also show improved figures in the export markets.

BRITISH BANK OF THE MIDDLE EAST

EXPANDED ACTIVITIES

The sixty-fifth ordinary general meeting of the British Bank of the Middle East was held on July 20th in London, The Rt Hon Lord Kennet of the Dene, PC, GBE, DSO, DSC, chairman, presiding.

The following is an extract from his circulated statement for the year to March 31, 1954:

This has been a year of much activity and many interesting events in the history of our business. Our accounts again show a strong position. Our deposits are up by £3 million to £43 million. Cash in hand and with bankers and money at call are over £16 million, £1 million less than a year ago, but investments in British Government and other securities stand at approximately £15 million, representing an increase of over £2 million on the figures of the previous year. The decline in the total of credits and guarantees by £1 million is offset by an increase of £1,000 in advances to customers and bills discounted. Our fixed assets remain in the balance sheet at £100,000 unchanged. You will recall that a year ago you passed a special resolution increasing our capital to £1,500,000. Your directors received a dividend of 10 per cent last year on the old capital of £1 million. A dividend on the same amount of profits this year would call for a dividend of 6⅔ per cent on the new capital.

THE DIVIDEND

Whether we consider the accounts show a degree of strength and consolidation of position as to justify the payment of a final dividend of 5½ per cent, making a total of 7½ per cent for the year. Your board plan to reduce next year the disparity between the interim and final dividends.

The passage of the years has now established the British Bank of the Middle East as an institution with a much wider and more active scope in its present form than it had in its original form as the Imperial Bank of Persia. We seek and find new fields of utility, opened to us by changing conditions in the Middle East, and appropriate to our special experience. Thus the most characteristic events in our past year were the opening of new branches in Bombay and Calcutta, and at Doha on the Qatar Peninsula, in the Persian Gulf. In Baghdad we opened a new sub-branch.

INDIA

We have had branches in India before, one in Bombay from 1891 to 1900 and again from 1919 to 1934, and one in Calcutta from 1892 to 1895. In 1895, 1900 and 1934 we closed the branches in Bombay and Calcutta. The trend of trade then between India and Persia was the reason. But now we have five branches in the Persian Gulf where the currency is the Indian Rupee. We have three branches in Saudi Arabia and one in Aden, where transactions with India are considerable, not to speak of the trade relations between India and this country, in which we can play a useful part; and we have branches in other countries which trade with India. It is this expansion in our scope which takes us back to India, now that opportunity serves.

The Nationale Handelsbank NV, better known here perhaps by their former title, Nederlandsch Indische Handelsbank, transferred their branches in Bombay and Calcutta to us on January 1st, the necessary licences having been obtained from the Indian Government. Both branches were taken over as going concerns, so that we have acquired a foundation on which we can enlarge the considerable business which of late years we have been building up with India. In the course of this transaction with the Nationale Handelsbank, we have developed a very happy relationship with them. We hope and believe that we shall be of use to the economy of India, in the development of her trade with the other countries where we are established. Already we have evidence that this will be so.

OTHER COUNTRIES

In Iraq the most important event of the year has been the Coronation of His Majesty King Faisal II, which took place in May, 1953. In Kuwait much progress has been made. During the last year we completed and occupied the extension to our Kuwait office and four new dwelling houses for our staff.

In Bahrain trade has been generally satisfactory. At Dubai our business continues to prosper. Our new premises, which include air-conditioned accommodation for our British staff, have been completed and are a good addition to the buildings we have already constructed in other Persian Gulf centres. At Muscat our business continues to serve His Highness the Sultan and his people.

Our three branches in Saudi Arabia are now well established and we have evidence that the facilities thus made available by a British bank are appreciated. In Syria we have branches at Damascus and Aleppo. In the Lebanon our branches continue to hold the ground they have won. At Aden our recently established branch continues to progress.

The report and accounts were adopted.

HEAD, WRIGHTSON AND COMPANY

RECORDS IN MANY DIRECTIONS

CASH POSITION REASONABLY GOOD

MR RICHARD MILES'S REVIEW OF ACTIVITIES

The sixty-fourth annual general meeting of Head, Wrightson and Company, Limited, Engineers, etc., was held on July 21st at the Registered Office, Teesdale Iron Works, Thornaby-on-Tees.

Mr Richard Miles, the chairman and managing director, who presided, said:

This is our sixty-fourth annual general meeting, and it is my pleasant duty to report that your old established company continues to flourish. In the year under review records were achieved in many directions—amongst others, in turnover, profits, gross work in progress, orders, and value of contracts to complete. The three last items may provide pointers to the short term future, if world trade holds. Our taxation charge is the highest we have recorded. Our cash position is reasonably good, but considerable working capital is always required in our businesses due to the size of the contracts, and to increasing competition from Germany and the United States for export work.

ACCOUNTS

This year, the first full year for which we have had a common year-end for all the subsidiaries and the parent company as required by the last Companies Act, we show a trading profit of £912,469 against that for the previous year of, say, £778,500, if we gross up the parent company's nine months' trading period to twelve months. After provisions for depreciation, workmen's pensions and taxation, we are left, in the group, with £367,758. We recommend that there be distributed a final dividend of 20 per cent less tax, making, with the interim dividend of 5 per cent, a total of 25 per cent less tax for the year, against 17½ per cent less tax last year (parent company nine months). After charging the two preference dividends, and allowing for a slightly higher carry forward than last year, there remain £75,000 to be placed to the parent company's reserve for general purposes, and £175,000 similarly to the appropriate subsidiary companies. Having undertaken certain future commitments in providing pensions for our workmen, we have thought it prudent to set aside towards these commitments an amount of £25,000, which is added to previous provisions for pensions in the balance sheet. We believe that our workmen are appreciative of the benefits accruing from these additional and substantial outgoings.

DEVELOPMENT

By those methods which may be available to us, such as efficiency in designs and production, maintaining a low unit margin of profit and a high turnover, we are doing our utmost to encourage buyers; but it is a difficult task in view of the costs over which we have no control. We, and our markets, would welcome conditions where stable prices could be extended over a reasonable term.

Nearly all our products are made to special designs. Hence periodic very large sums for re-tooling, as in the automobile industry, are not required. On the other hand, improved equipment in detail, improved buildings and lay-out are continuously necessary. You will observe that our authorisations for capital expenditure, spread over a period of years in accordance with our programme, amount to some £655,000, though the official orders placed to date total approximately £340,000.

New buildings and much new equipment have been installed at our steel foundries. All works have been well maintained. The new "investment allowances" should be encouraging, not only to us, but also to our customers.

We are acquiring the old Richardson Duck dismantled shipyard site adjoining the works of our engineering division at Thornaby. With the Craig Taylor site, purchased some years ago, where we produce aluminium alloy structures, we shall own most of the land included in the large bend in the River Tees at Thornaby.

ACTIVITIES

In the statement accompanying our annual accounts, I usually describe some of the work we are doing. You will remember that we can conveniently consider our activities as falling into four groups:

(1) A consulting group consisting of three companies and/or divisions: Our Head Wrightson Processes, Limited, in London is very busy on large projects for the oil and chemical industries, on atomic energy reactors and allied heat exchange problems. Our McKee Iron and Steel Division is building some of the largest ironworks, and important auxiliary equipment such as sintering and gas cleaning plant, at home and abroad. Our new Colliery Equipment Division is responsible for National Coal Board and other colliery work, and especially lately the new anthracite developments in West Wales, the subject of an important leading article in *The Times* recently. The first of these divisions is now very successfully marketing the efficient "Fluor" cooling towers, which are being installed at power stations and other industrial plants.

ENGINEERING GROUP

(2) An engineering group of four companies and/or divisions: we make at our engineering division at Thornaby: blast furnace plant, oil refinery equipment, dock and harbour equipment (we have an important number of large dock gates of both the mitre and flap types), railway wagons (concentrating more on the special types) and other heavy steel plate and mechanical work. Our Stockton forge division undertakes colliery, metalliferous mining and mechanical handling plants, and sub-contracts in the gas trade. They have a very full order book. Our Head Wrightson Machine Company, Limited at Middlesbrough had a record year, and is heavily booked for steel and non-ferrous tube plant, drawbenches, sheet and tinplate equipment and similar work, all to the most modern, and in many cases, unique designs. Our Head Wrightson Aluminium Limited had a reasonable year, but orders, especially for defence work, have tapered off considerably. Apart from the hangar doors for the London Airport, some 46 feet high and 300 feet long, and a large number of crane and dragline jibs up to 200 feet long, the highlight of the year was the completion of the Aberdeen aluminium alloy bascule bridge, opened by HM Queen Elizabeth the Queen Mother.

FOUNDRIES AND FORGES

(3) Our foundries and forges: our heavy iron foundries have had a fairly stable and successful year but we find, unfortunately, that some of the nationalised industries leave considerable gaps in their production programmes which entail variations in employment in our iron foundries. Our steel foundries, in common with others, experienced a considerable falling off in orders in the autumn, especially when the major oil refinery programmes were being completed; but there has been an upward turn lately, orders for raw material for the mechanical engineering industries being more buoyant. The customers of our drop-forges, particularly the automobile manufacturers, are extremely keen buyers.

OVERSEAS INTERESTS

(4) Our overseas interests: South African trade experienced a slight downward trend when the Orange Free State preliminary gold mine programme completed its stage of development in the autumn of last year, but our companies there had a good year, and the rate of orders received has improved lately. In Australia our plans are developing less quickly than we had hoped, and we are not yet able to implement our long term programme of increasing our manufacturing. Though importing is still on a reasonable scale, it is not at very profitable prices. The new branch office in Canada is having a difficult time: Canadian engineering works are not too well employed, and a number of our profitable American licences do not include Canada.

Elsewhere, our overseas trade is increasing. Mr Vaughan Pendred has been particularly successful in India where we now have a working arrangement with Messrs Balmer Lawrie and Company. In Spain our contract for the National Steel Works is exceeding to plan. Your senior officials have much time abroad on export enquiries and orders.

TRIBUTE TO STAFF AND WORKPEOPLE

General: Despite the fact that the capital goods industry fluctuates, the technique of modern production must demand increasingly up-to-date equipment. Many of the factors determining its installation, a high level of subsequent employment often dependent upon the course of trade.

In conclusion, it may be of interest to observe that we are finding a higher proportion over of our unskilled men than formerly. We are, however, traditionally fortunate in having a very sound backbone of senior technical staff and of responsible and loyal workmen, to whose loyal co-operation the continued success of our undertakings is largely due.

The report and accounts were adopted.

ALBERT E. REED & COMPANY, LIMITED

A YEAR OF FULL PRODUCTION

STRENGTHENED FINANCIAL POSITION

CURRENCY FOR WOODPULP PURCHASE: CONTROL NO LONGER JUSTIFIED

LORD CORNWALLIS REVIEWS THE GROUP'S ACTIVITIES

The fifty-first annual general meeting of Albert E. Reed & Company, Limited, paper manufacturers and converters, was held in London on July 19, 1954, the Rt Hon Lord Cornwallis of Linton, KBE, MC, the chairman, presiding.

The following is the statement by the Chairman, which had been circulated with the report and accounts for the year ended March 31, 1954.

As will be known to all shareholders, Sir Ralph Reed, our Chairman, tendered his resignation from that office and from our board of directors on March 31st. His health has not been good in recent years and he felt that he should not continue the responsibility and strain necessitated in the guiding of such an active and expanding group of companies as that which we now control.

So ends a great career in the paper-making industry.

Sixty years ago Albert Reed showed his courage and pioneering spirit in the foundation of the concern that still bears his name.

His son, for thirty-four years our Chairman, was chosen to hold the high office of Paper Controller, in war and aftermath of war, for eleven years.

We, who have served under Sir Ralph Reed and have watched the growth of our great enterprise under his leadership, tender to him a heartfelt "Thank You" and wish him every happiness and rest in his retirement.

My colleagues on the board have asked me to accept the Chairmanship of the board in the place of Sir Ralph Reed.

I can assure you all I am fully conscious of the honour thus accorded to me and the great responsibilities that the position of Chairman entails. I shall endeavour to maintain the wonderfully happy relations that exist between management, executive and all employed in our Group, and I firmly believe that with the enthusiasm and loyalty of all who belong to our "family" we can maintain the progress that has been achieved in the years we have undertaken.

At our last annual general meeting, two directors have joined the board. They were Hector G. Paul and Mr W. R. Tomlinson.

Hector Paul has been with Reed's for many years. He was deputy to Sir Albert Reed in the Paper Control and we have the benefit of his knowledge and experience will be of great value to the board.

Mr Tomlinson is managing director of Thompson & Norris Manufacturing Company Limited—which company has recently brought into the Group—and I am sure that his assistance to us on the board will be of great value.

In accordance with the Articles of Association these two gentlemen offer themselves for re-election at the annual general meeting.

TRADING CONDITIONS

The year covered by the accounts has been largely a period of full production following relatively quickly upon a recession, to which reference was made by Sir Ralph Reed in his statement to you last year. As he told you, the rate of production of paper and board in this country fell in the late summer of 1952 to 45 per cent of that for the last quarter of 1951. By the spring of 1953, however, there had been a substantial recovery and this developed rapidly due partly to the general recovery from the recession to which, to a greater or lesser degree, most industries had been subject, and partly to the fact that a great many consumers had allowed their stock to fall to exceptionally low levels and were taken by surprise by the speed of the recovery. Full production in our mills and factories was made possible, therefore, by the recovery in trade as I have indicated. In addition our exports, especially to Australia, have continued at a satisfactory level.

We have been able to maintain our programme of full production, however, only at the price of reducing our stocks of raw materials, as the currency allowed by the Government for the purchase of woodpulp was not sufficient to enable us to run fully and at the same time maintain our stocks.

The cost of our raw materials was relatively stable for the whole year, especially when compared with the very violent fluctuations which occurred in the previous years. During the second quarter of 1954, however, prices have tended to harden and are now, in the case of chemical pulps, approximately £4 per ton higher than the average price ruling for the year ended March 31, 1954.

PROFIT AND LOSS ACCOUNT

The profit for the year, before charging taxation, amounts to £4,261,000 compared with £2,134,000 for the previous year.

The taxation charge, based on the profits for the year, amounts to £2,990,000, but this figure is reduced to £2,504,000 by a credit in respect of amounts overprovided in earlier years, leaving available for reserves and distribution the sum of £1,757,000.

You will recall that your directors, in their letter of December 17, 1953, stated their intention to recommend a final dividend of 12½ per cent on the ordinary capital as increased by the bonus issue and by the issue of "A" ordinary shares. I think you will feel that our expression of confidence was justified by the results disclosed. Your board are now able therefore to carry out their intention to recommend payment of a final dividend at the rate anticipated which, with the interim dividend already paid, is equivalent to an annual distribution at the rate of 17½ per cent on the present capital. Out of the remaining balance of profits, including the balance brought forward from the previous year, your board have considered it desirable to appropriate £1 million to general reserve and £500,000 to pensions reserve.

BALANCE SHEET

The Group balance sheet once again discloses a considerably strengthened financial position. Some £750,000 has been spent on developing and maintaining at high efficiency the fixed assets of the Group. You will observe that the current assets have risen from £12 million to £14,500,000, of which cash and tax reserve certificates amount to £6,250,000. The excess of current assets over current liabilities has increased from £7,300,000 to nearly £10 million, thus disclosing an extremely liquid position.

The fall in stocks of woodpulp is more substantial than we should have wished and reflects not only the shortage of currency to which I have previously referred, but also the inability of some of our foreign suppliers to maintain their scheduled deliveries.

CAPITAL REORGANISATION

I need not dwell on the reorganisation of capital which took place during the year as you were kept well informed of the proposals and the reasons for the change. The suggestions put forward by your directors were duly approved at appropriate meetings of shareholders and received the sanction of the Court.

NEW ACQUISITIONS

You were informed at the time of the proposal to acquire the shares of The Thompson and Norris Manufacturing Company Limited, makers of corrugated fibreboard packing cases, and you will be gratified to know that holders of over 98 per cent of the capital stock of that company accepted our offer. The acquisition of this company adds very substantially to the interests which we already have in the packaging industry and I am glad to be able to report that the integration of that company's affairs into the Group is proceeding satisfactorily and harmoniously.

Following the acquisition of The Thompson and Norris Group, it seemed appropriate to us to acquire the shares of The Sun Paper Mill Company Limited. This company was already delivering approximately two-thirds of its output of paper to The Thompson and Norris Group and we thought it very desirable to ensure the permanency of this arrangement. I am glad to be able to report that the holders of over 90 per cent of the share capital of The Sun Paper Mill Company Limited have accepted our offer and it has now become a member of the Reed Group.

PROSPECTS

The past year has been one of greater stability in our industry and although there is a tendency for raw material prices to harden, we are hopeful that the stable situation will continue, and present indications tend to justify this hope.

I have previously referred to the fact that the amount of foreign currency which we are permitted to spend on the purchase of woodpulp is subject to Government control.

Although the amount of currency allocated for this purpose for the second half of this year will enable us to run at a reasonably high rate of production, we are not satisfied that it will permit us to attain the outputs which we had planned and, at the same time, keep our stocks of woodpulp at a proper level. We are making representations to the appropriate department dealing with this situation and have hopes that some improvement will be effected. We feel very strongly that this remaining form of control has now ceased to have any justification, and the sooner it is removed the better it will be for the development of our industry.

However, we are satisfied that our Organisation is in such a healthy condition, both from the point of view of plant and also the quality and spirit of the staff and employees that we are as well prepared as anybody to face the present situation and any vicissitudes which may arise in the future and, although we have not the slightest doubt that trading conditions will be competitive, we feel we are well equipped to meet this challenge.

TRIBUTE TO STAFF

In my earlier remarks I pointed out that the year had been one of full production. This happy state of affairs could not have been possible without the splendid efforts of all, the managing director, the executive officers and each and every one of our employees. They, one and all, take pride in Reed's products.

The management endeavour to ensure that the health, welfare and happiness of all our employees are their special care and responsibility. This partnership has produced the results you now have before you and I know all shareholders would like to join with your board in a very sincere expression of our gratitude to all concerned.

TRUMAN HANBURY BUXTON & CO., LIMITED

INCREASED PROFIT

The sixty-sixth annual general meeting of this company was held on July 22nd, in London, Mr G. Dent, chairman, presiding.

The following is an extract from his circulated statement for the year ended March 31, 1954 : I am pleased to be able to report a satisfactory year's result. Trading profit for the group has increased by £175,508 to £1,085,523. There are two main factors responsible for this increase: firstly, the reduction in the cost of brewing materials, especially malt; secondly, economies in expenses. The directors recommend a final dividend of 11 per cent making 14 per cent for the year, leaving a carry forward of £326,226, as against £320,381.

Up to Christmas our trade showed quite a satisfactory increase but during the last quarter of the year with bad weather conditions, there was some falling off which left our total output for the year at nearly the same figure as the year before. There was a further decline in draught beer sales although this has not applied to the sales of our Burton pale ale in London which retains its popularity.

Addressing the meeting the chairman said: With regard to the future I do not anticipate that the current year's results will be as successful as those of the year under review which was a fortunate one for many reasons. Since January the weather could hardly have been more unfavourable for the consumption of beer, and the beer trade of the country as a whole has shown a considerable decline over the period. It is to be hoped that the remainder of the year will prove more favourable to our trade and enable us to make up some of the leeway.

The report was adopted.

FERRANTI, LIMITED

CONTINUED EXPANSION

SIR VINCENT DE FERRANTI'S SURVEY

The annual general meeting of Ferranti, Limited, was held on July 15th in London, Sir Vincent de Ferranti, MC, MIEE, chairman and managing director, presiding.

The following are extracts from the chairman's circulated statement for the nine months to March 31, 1954:

The accounts show continued expansion in the activities of the company and its subsidiaries and further extension of manufacturing capacity.

CANADIAN INTERESTS

Subsidiary company (not consolidated) £1,022,474: The interests of the Group in Canada have been considerably extended by the purchase by Ferranti Electric Limited on March 11, 1954, of a controlling interest in another Canadian Company in which for nearly twenty years a minority shareholding has been held on this side.

The consolidated profit for the nine months, including dividends on investments, amounts to £1,446,649 as compared with £1,284,033 for the year ended June 30, 1953. After provision for tax (including £165,000 for excess profits levy) on all profits earned to date, the net profit is £546,863 against £436,248 last year. The capital issue expenses amounting to £6,982 have been written off.

After providing for the preference dividends, £330,765 has been transferred to general reserve account and a dividend on the ordinary stock of 6 per cent (£33,000 after deduction of tax at 9s.) is recommended, leaving £31,063 to be added to the undistributed profits carried forward which will then amount to £345,813.

INCREASED OUTPUT

The output of the Group, which is now employing over 11,000 people, has risen by 14 per cent, and has exceeded the input by £2 million, leaving unexecuted orders to the value of £15 million. The rate of output of armament work has increased by 7 per cent, and of civil work by 27 per cent, thus reversing the trend during the last financial year, when the figures were 40 per cent and 10 per cent respectively.

The output of power transformers has increased by 32 per cent in value over the figure for the corresponding period of 1952-53. Distribution transformer business has increased by some 25 per cent, but the total sales input for transformers of all types has shown a fall. No less than eighty-two major units have been delivered during the past nine months, of which fifty-two were for export. The latter include five 300 kV. class transformers for the Aluminum Company of Canada, and thirteen in the 230 kV. class for New Zealand. Other notable equipment supplied includes a 3.2 million volt, 77kW. sec. impulse generator for the National Physical Laboratory.

In overseas markets for electricity meters, restrictive buying policies have now eased, and sales to countries such as India, Argentina, Malaya, Colombia and Australia show a corresponding recovery. Business in the home market, however, has shown a slight fall; nevertheless the total sales input for meters of all types has shown a proportionate increase of 55 per cent over the rate for the last financial year. Technically, the accent has once again been concentrated on the problem of reducing manufacturing costs. A number of new special-purpose machines for producing the FM meter are now in operation, and delivery of several others is still being awaited.

Further intensification of the competitive conditions prevailing in the industry has again led to a fall in the output of the foundry. Recently, however, the sales input for castings has shown an encouraging upward trend. The demand for non-magnetic iron continues, whilst that for spheroidal graphite cast-iron, a new ductile material, is increasing.

GOVERNMENT EQUIPMENT

In the field of government equipment, development work on guided weapons continues to proceed satisfactorily. Anti-aircraft fire control equipment is being fitted in many of HM ships, and an artificial horizon, believed to be one of the most advanced gyroscopic instruments of its type, in both UK and Canadian aircraft. The rate of output of both government and commercial instruments has again increased.

The demand for radio and television receivers continues to rise. In order to meet the advent of commercial television, all current receivers have been made tuneable to cover these transmissions when they commence, as well as to receive the existing BBC service. New and larger types of cathode ray tubes for television and other purposes have also been introduced.

As predicted, the demand for domestic electrical appliances has increased, and the rate of output of radiant fires has been trebled. Research and development have kept well ahead in the field of electronic digital computers. Amongst other substantial orders received is one from A. V. Roe Limited for the first large computer to be supplied to a British aircraft firm. The new research laboratories at Wythenshawe are now in full operation.

ACTIVITIES IN SCOTLAND

At Edinburgh factory there has been a fall in the production of older types of equipment, which is expected to be offset by an increase in the output of certain newer device towards the end of 1954. A contract has been received for over two million dollars' worth of electronic equipment under the US Na department's offshore procurement pl The output of the valve factory at Dund building up steadily and has reached a one-third of its ultimate planned value

In Scotland, the scale of development on key equipment for the Services increasing. Various forms of technical ledge are being combined in the des complete aircraft systems. This wo addition to some real progress in co-op with aircraft manufacturers, is an imp contribution to the complex problem of ing efficient fighting machines for t Force and Navy.

The Canadian Company is exper increased competition in the market fo formers. This is being met both by i ments in design, and by plans for ex the range manufactured. Plans are al way for producing a thermal deman which has now been given tentative by the Canadian Government. The division has extended the scope of it ties so that it is no longer exclusively on work for the Department of production.

The report and accounts were adopt

THE BRITISH PLASTER BOARD (HOLDINGS) LIMITED

AN EVENTFUL YEAR

ACQUISITION OF SUBSTANTIAL CANADIAN COMPANY

LORD BELPER ON THE RECORD TRADING RESULTS

The thirty-seventh annual general meeting of The British Plaster Board (Holdings) Limited was held on July 22nd at 20 St. James's Square, London, S.W.1, The Rt Hon Lord Belper, DL (the chairman), presiding.

The following is the chairman's statement which had been circulated with the report and accounts for the year ended March 31, 1954:

The past year has been an eventful one for the company. Since my last statement, a substantial Canadian company has been brought into the group; our authorised and issued share capital have been materially increased, and the figures in the accounts now presented disclose record results which have been achieved by hard and efficient work at all levels, coupled with considerable expenditures on plant, machinery and other assets.

BOARD OF DIRECTORS

There have been several changes where the directors are concerned. Mr W. Steuart Trimble, who first joined the group thirty-three years ago and was appointed a joint managing director in 1947, recently expressed the wish to relinquish his position as joint managing director and the board have agreed to this with regret. He will, however, continue as deputy chairman and as a director of the parent company and of the more important of the subsidiary companies, so that the group will continue to have the benefit of his knowledge and experience. I take this opportunity to express our appreciation of all that he has done for the company.

Mr R. S. Jukes has been appointed managing director and carries the good wishes of the board in this important post. He will be supported by a management committee.

Mr J. F. Harvey resigns from the board as he has now attained the age of seventy. He has the longest record of service of any as a director, having served in that capacity since 927, so that he has been an important factor the parent company's growth from the time hen it owned but one small factory in allasey. All his colleagues join me in wish- him every happiness in his retirement.

Mr R. G. Forsyth will relinquish his ointment as secretary after the annual ral meeting, and Mr N. M. Barrow will d him in this position. Mr Forsyth, vill continue to serve as a full-time r of the company, has been secretary 35, and I wish to pay a special tribute on this occasion. His work through- een of the highest order and his tact rtesy never failing.

. V. Damerell was appointed to our January last, and Mr J. C. Duffus D. P. Davidson were appointed in These appointments are being sub- your confirmation. Mr Damerell is or in charge of The Gotham Com- ited, Thomas McGhie and Sons, and The Long Meg Plaster and ompany. Mr Duffus continues as f C. Davidson and Sons, Limited, our acquisition of that company's al last year, and Mr Davidson con- ts chief executive director. The be much strengthened by the these three directors.

e it will be your wish that I should congratulations to Sir Graham n the Knighthood he received in Year's Honours List, an event which gave me and my colleagues on the board the greatest possible pleasure.

CHANGE OF NAME

As authorised at the extraordinary general meeting, held on March 31, 1954, the name of the parent company now includes the word "(Holdings)" and you know that it is one of our objectives to create a separate operating company: "The British Plaster Board (Manufacturing) Limited." There has been some delay in bringing this about, as we needed first to be sure of the precise provisions of the latest Finance Bill in reference to taxation and changes of ownership. We are now clear that we can proceed with our plans without incurring any additional taxation liability and the change will take place in a few months' time. In the meantime, you will note that the balance sheet of The British Plaster Board (Holdings) Limited still incorporates certain manufacturing assets and liabilities.

THE BALANCE SHEETS

The issued ordinary and preference capital were increased in the early part of the year under review, to provide for the acquisition of C. Davidson and Sons, Limited. The authorised and issued capital have also been greatly increased and capital reserves have been reduced in accordance with the decisions taken in March last, and thus, whilst still not representative of the real value of your company, the issued capital does tend to be more appropriate to the capital employed in the group.

In addition to the changes brought about by the increases in share capital, the consolidated balance sheet figures have been considerably enlarged since the previous year by the inclusion of the assets and liabilities of C. Davidson and Sons, Limited, and our new Canadian subsidiary, Western Gypsum Products, Limited. The latter acquisition has been made in pursuance of the company's policy to broaden our interests throughout the world. Canada is unquestionably one of the expanding industrial countries and your board has been considering for some time the possibilities of acquiring an interest there. Western Gypsum Products, Limited, with its plaster and plaster board plants at Winnipeg and Calgary and a gypsum mine near Winnipeg, has been established for a good many years and has gained a considerable reputation for the quality of its products.

Some of the items in the consolidated balance sheet are not self-explanatory. In particular, "Redeemable preference capital," amounting to £92,138, was part of the capital structure of the Canadian company, but this has been liquidated since the close of our financial year out of the funds held by that company and the whole of the ordinary shares have now been acquired by us.

Of the purchase price of the ordinary shares of Western Gypsum Products, Limited, totalling £1,076,144, 40 per cent has been provided out of our liquid resources, whilst the balance of 60 per cent has been loaned by a Canadian bank which accounts for the greater part of the bank loans of £668,507, the balance being advances to the Rhodesian company in which we are interested.

The £150,000 of 4½ per cent mortgage debenture stock forms part of the capital structure of C. Davidson and Sons, Limited.

Apart from the items which have been brought in by the new subsidiaries, "Fixed Assets" have been increased during the year by substantial expenditures throughout the group amounting, before depreciation, to over £600,000, and also by the inclusion of the assets of the Rhodesian company, which became a subsidiary through the acquisition of C. Davidson and Sons, Limited, and that company's Rhodesian holding.

The slight increase in the amount of shares in associated companies is the net result of the purchase of an interest in a small Italian company, Perlite S.p.A., less the cost of our last year's holding in the Rhodesian company. The Italian company quarries perlite, which we are now importing into this country for use as a lightweight aggregate.

PROFIT AND LOSS ACCOUNT

Turning to the consolidated profit and loss account, you will see that the trading profits, together with income from associated companies, trade and other investments, total over £2 million. A full year of profits from C. Davidson and Sons, Limited, is, of course, included and I would like to mention here that the results achieved by that company have been most gratifying. No profit has been brought in for Western Gypsum Products, Limited, as the consolidated figures include the balance sheet items of that company as at November 30, 1953, which was prior to the shares being acquired by us.

Various forms of direct taxation, totalling £1,364,724, again take the greater part of the profits and, although the excess profits levy, for which £110,000 has been provided in the year under review, now disappears, taxation continues to absorb a disproportionate amount of our group's profits and thus militates against our ability to do our share in increasing industrial investment from our own cash resources which, as the Chancellor of the Exchequer has recently pointed out, is still far too low in this country.

Apart from the additional profits brought in by C. Davidson and Sons, Limited, almost all our subsidiary companies and associate companies in this country and abroad have contributed towards the increase in profits, and I would again stress that these results are not only the product of hard and efficient work amongst our personnel at all levels, but are also the fruits of the additional investment which this group has made over a number of years.

RESERVES

You will observe from the consolidated profit and loss appropriation account that there has been transferred to capital reserve £103,471 by subsidiary companies and £60,082 by the parent company. These are necessary adjustments arising from the acquisition of C. Davidson and Sons, Limited, and the revaluation of shares in subsidiary companies.

Your board has transferred to general reserve the item of £130,764, formerly shown in the balance sheet under "Central obsolescence and replacement reserve" and, out of this year's profits, the sum of £219,236 has been appropriated, which brings the parent company's general reserve up to £1 million.

DIVIDENDS

You know, of course, that the dividend for the year ended March 31, 1953, was 20 per cent, less tax. This is equivalent to 10 per cent on the enlarged capital, as authorised at the extraordinary general meeting held in March last. In view of the increase in net profits, your board now recommends a final dividend of 7½ per cent, less tax, which, with the interim already paid, makes a total for the year equal to 11¼ per cent on the enlarged capital.

GENERAL

I would like to emphasise that sales prices throughout the group have largely been held steady during the year under review, in spite of another increase in wages in May, 1953, and rising costs of raw materials and services —particularly those produced by the basic industries. There is no doubt that it becomes more and more important for prices to be held steady or reduced wherever possible for all goods and services if standards of living are to be improved and if international competition is to be met successfully. It seems to me to be most important that a lead in this direction should be given by the basic industries, notably the coal industry, and by the transport industry, so that the never ending cycle of increased prices can be stemmed. In this connection it is particularly important that labour should play its part and whilst no one, I am sure, would deny the justice of extra rewards for extra productive effort, the time has surely come when negotiations on further increases in earnings should have due regard to productivity and, what is also important, to quality. The continued relaxation of controls and the greater freedom to purchase raw materials abroad has been most encouraging, but we are still suffering the handicap of currency control in some directions and this group is finding that certain of its productions continue to be considerably hampered by inability to secure sufficient currency licences. I trust that the improving currency situation will permit a greater measure of freedom to be given in this direction, too, in the near future.

NEW HEADQUARTERS

Due to the expansion of the company's activities, we have for some time been finding our London headquarters very cramped for space and, consequently, we have arranged to occupy larger premises. A lease has been taken of Bath House, 82 Piccadilly, and the move will take place shortly.

PERSONNEL

In the course of this statement, I have made reference to the excellent work of all members of the organisation and I am sure you would wish me, at this point, to express our thanks to them for their services.

THE FUTURE

The activities of our group of companies is now widespread to a point where our prospects can be said to be a direct reflection of the national economy. So far our results for the current year have been satisfactory and if trade generally continues to be good the prospects for the current year appear favourable. The report and accounts were adopted and the final dividend of 7½ per cent less tax, making a total equal to 11¼ per cent, less tax, for the year, on the enlarged capital, was approved.

The retiring directors were re-elected and the remuneration of the auditors having been fixed, the proceedings terminated.

At a subsequent extraordinary general meeting the alteration to the Articles of Association was approved.

JACKSON THE TAILOR

A SUCCESSFUL TRADING PERIOD

EFFECTS OF THE MERGER

MR LIONEL JACOBSON'S STATEMENT

The twenty-second annual general meeting of members of Jackson The Tailor Limited was held on July 21st at the Royal Station Hotel, Newcastle-upon-Tyne, Mr Lionel Jacobson (chairman and joint managing director) presiding.

The secretary (Mr T. T. Scott) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated to the members with the report and accounts for the fourteen months ending March 31, 1954, and was taken as read:

In July, 1953, as a result of an offer made by the directors of Montague Burton Limited, which offer your directors recommended for acceptance, the overwhelming majority of the ordinary shares of Jackson The Tailor were acquired by Montague Burton Limited. As a consequence of the merger, three of your directors were elected to the board of Montague Burton Limited, I should like to take this opportunity of welcoming the three directors elected to the board of Jackson The Tailor at the same time: Mr Stanley H. Burton, Mr Raymond M. Burton and Mr Arnold J. Burton.

CONTINUANCE OF INDEPENDENT POLICY

At the time it was agreed by all concerned that Jackson The Tailor and Montague Burton should remain in friendly competition and that the growth and development of your company should in no way be affected or impaired. There has been a constant interchange of information and pooling of ideas but Jackson The Tailor has continued the development initiated in previous years. I should like to take this opportunity to emphasise that it will pursue its own independent policy of merchandising and manufacturing. It will continue to purchase from the suppliers with whom the group has dealt for so many years and to tailor in its own works the suits, overcoats and other garments that have attracted such a wide range of customers and which have produced such successful results.

The past year has seen a continuous intensification of the competitive market which had already developed in the tailoring trade. We welcome such developments. It is to the advantage of the customer. It gives me much pleasure to state that during the trading period covered by the accounts the turnover of the group has once more materially increased and moreover an improvement in sales figures has again been achieved since the end of the last financial year.

"A PERIOD OF MODERNISATION"

The period under review could be described as a period of modernisation rather than expansion. The results of the two new branches opened in Birmingham and Brixton during the period have fully confirmed your board's expectations. Other branches that have been opened in recent years have continued to progress favourably. In pursuance of declared policy, during the past year a considerable proportion of the branches have been modernised and when opportunity provided others substantially extended, with beneficial results in increased turnover.

You will observe that the financial accounts now before you cover a period of fourteen months to March 31, 1954. This is to meet the requirements of the Companies Act, 1948, in which it is required that an associated company's accounts should co-terminate with those of the parent company. Due to the variations in the periods, it is not as easy as in former years to make comparisons, but it will be evident to you that we have enjoyed a successful trading period and that we can face the future with reasonable optimism.

INCREASE IN GROUP STOCKS

There is one point in the financial accounts to which I would draw your attention and that is the substantial increase in group stocks held at March 31, 1954, as compared with those at January 31, 1953. Obviously with the growth of the business and expansion of turnover, larger stocks must be carried, but the main reason for the increase is that at the end of March we are nearing the peak of retail sales and it is essential that both warehouses and branches should carry adequate stocks to meet the demand for both spring and summer. I should also like to add that both February and March are substantial trading months and thus they have exercised more than average influence on the financial results.

The directors of Montague Burton Limited and of your company have given serious consideration to the advisability of amending the date of the group's financial year end to coincide with the period when seasonal stocks are at their lowest.

As a result it has now been decided that the next financial accounts of the company will cover a period of 17 months, ending August 31, 1955.

IMPROVED SUPPLY POSITION

During the period of shortage it was esse tial to safeguard supplies of cloth, but duri recent years there has been a considerab improvement in the supply position a consequently your directors took advant of a favourable opportunity which occu during the year of disposing of your pany's holdings in the Goulbourne facturing Company, Limited, and th now free to take advantage of th variety of cloth being offered at ex competitive prices. Our relation our suppliers have continued to b amicable and their enthusiastic co-o in the development and improven designs and cloths has been most aging. It is widely known that the Great Britain manufacture the fine in the world and they supply us which enable us to provide our cust a very reasonable price with a suit first quality materials.

I should like to express once appreciation of the support I have particularly from the manufacturin of the group. Their aim first and was to produce a good quality suit petitive price. This they have su achieved and in addition they have to expand their production to demands placed upon them by t section. To all others too numerous tion individually, may I express my grateful thanks for their assistance and support.

EXPANSION OF TURNOVER

We have not been unmindful of our customers and future trade. Once again due to increased production and sales we have been placed in a position where we could reduce our retail selling prices. One of the corner stones of our sales policy is to ensure a satisfactory standard of living for our employees and, as increased turnover accrues, to pass on to our customers any savings that result in order to achieve the expansion of turnover that is so essential for the economical running of the group.

The report and accounts were unanimously adopted.

The retiring directors, Mr S. H. Burton, Mr R. M. Burton, Mr A. J. Burton, Mr James Whitehouse, FACCA, Mr Wilfred Sandie and Lieut.-Colonel J. H. Levey, DSO, OBE, were re-elected: and the remuneration of the auditors, Messrs Price, Waterhouse and Company, having been fixed, the proceedings terminated.

THE BRITISH SHAREHOLDERS TRUST

STRENGTH OF FINANCIAL POSITION

SIR BERNHARD BINDER ON IMPROVED RESULTS

The thirty-second annual general meeting of The British Shareholders Trust Limited was held on July 21st in London.

Sir Bernhard Binder, FCA (the chairman), who presided, said:

It is pleasing to report results which are an improvement upon those of the previous year, the gross revenue of £122,028 being the highest since 1936. After deduction of all expenses (including £38,869 for taxation against £38,793 last year) the net profit at £5,125 is £17,422 more than that for the year to March 31, 1953.

This increase is in part due to increased vidends and interest received, but, in the ain, results from increased profits on acings and on realisation of securities. With e addition of the balance of £81,213 ught forward from the previous year and amount of £6,614 in respect of taxation stments, there remains for consideration of £138,952.

have again allocated £5,000 to the perannuation fund, and the directors that a final dividend of 5 per cent, with a bonus of 4 per cent, both less ax, be paid on the ordinary capital; gether with the interim dividend of nt already paid, make a total distribu- the year of 12 per cent compared per cent which has been maintained past seven years.

e proposals are approved, the amount rward will be increased to £98,431 18, which is the margin over the bution for the year.

ccounts show total reserves of which, together with the issued es a total amount employed in the £1,029,401; but in addition, the d estimated value of our invest- he date of the balance sheet shows ation of £171,329 or over 20 per ared with £75,712 or about 9 per he previous year, whilst the book only increased by the small amount £8,000.

SUBSIDIARY'S WIDENED SCOPE OF OPERATIONS

Our subsidiary, the Record Electrical Company Limited, has widened its scope, although its trading profit for the year under review was £2,715 lower than in the previous year and the net profit, before tax, was £4,970 lower at £77,461. You will see that our accounts show an amount of £13,411 for dividends and interest received from this subsidiary. This is an increase of £3,701 compared with the amount we received in the previous year and represents the increased dividend payment for 1953. As I have explained on a previous occasion, there is a year's lag in bringing this dividend into our accounts.

COUNTRY'S ECONOMIC PROGRESS

Looking back over the twelve months which have elapsed since we last met, a great improvement in the nation's economic and financial position is discernible. We are experiencing feelings of relief resulting from the policy of freeing controls. The re-establishment of the London Bullion Market and the extension of the system of "transferable" sterling accounts are two of the measures adopted to clear the way for financial and economic improvement. The attainment of the ultimate goal of convertibility of sterling and the abolition of Exchange Control depends on continued improvement in our national production and exports. The former is essential to maintain our position in competitive export markets.

As investors and sponsors of investments, the sustained rise in market prices is not unwelcomed, but in this period of rising prices discrimination is more than ever important. A number of rises in prices represents a belated adjustment of values reflecting more generous dividend distributions and an appreciation that they represent some offset to inflation. In considering the purchase of investments at present high prices, attention should be given not only to increased dividends but to the margin of profits ploughed back by undertakings to provide not only for the increase in replacement values when incurring capital expenditure, but also to provide reserves for possible setbacks in earnings.

For thirty odd years the BST has actively sponsored industrial investments and helped in converting private undertakings into public companies. The subsequent improvement in so many of such investments reflects the care with which our preliminary investigations are made, in regard to which the attention given to management is an important factor. This service to the public we confidently expect to continue, with, we hope, satisfaction to investors generally and to our own stockholders. As I have already indicated, we have over £1 million employed in our business so that the question of finance in no way hampers our ability to deal with substantial propositions.

The division of the distribution we make to our stockholders between dividend and bonus indicates that the proportion distributed as bonus is a fluctuating revenue dependent on the issues, placings and dealings we are able to make in a particular period.

The increased distribution we are able to recommend to you this year is the outcome of the energy and ability of our managing director, Mr E. Ronald Crammond, aided by his loyal and hardworking staff, all of whom deserve your hearty thanks.

The report and accounts were adopted.

The other formal business having been duly transacted, the proceedings terminated with a vote of thanks to the chairman, the managing director, the other directors and staff

WILSON BROS., LIMITED

(Greeting Card Publishers)

RECORD VOLUME OF SALES

The seventh annual general meeting of Wilson Bros., Limited, was held on July 20th in London, Mr H. Wilson (chairman and joint managing director) presiding.

The following is an extract from his circulated statement:

The profit for the year, before providing for taxation, has risen from £124,660 to £176,933, an increase of £52,273. Your directors recommend a final dividend of 32½ per cent, which, with the interim dividend of 17½ per cent already paid, will absorb £33,351.

It is gratifying for me to report that the volume of sales in the past year covering both the home and overseas markets has been the greatest in the company's history.

From the results of the past year, it becomes apparent that your board's policy of marketing high-grade popular-priced greeting cards is undoubtedly stimulating an increasing demand for your company's publications.

Trading for the first few months of the current year has been satisfactory and your board again looks forward with confidence to another successful year.

Your directors are recommending that a sum of £12,225 be capitalised and applied in paying up in full 244,500 shares of 1s. each which will be issued to shareholders by way of bonus in the proportion of one new share for every ten shares held.

The report was adopted and the board's capitalisation and bonus issue proposals were sanctioned.

KEPONG (MALAY) RUBBER ESTATES

EFFECT OF LOWER PRICE

The forty-ninth annual general meeting of this company was held on July 22nd, in London, Mr T. J. Cumming (the chairman) presiding.

The following is an extract from his circulated statement for 1953:

The accounts now presented show the effect of the lower price of rubber experienced during the year. While the crop at 9,926,265 lb was 408,455 lb less than that for 1952, the proceeds of sale show a drop of £242,202. On the other hand, there has been a considerable reduction in the Estate expenditure consequent on the adjustment of the wages structure and also in the application of export duty, as both are based on the market price of rubber.

Fortunately, refunds of the Cess previously collected for replanting have been received, and these, with the trading profit of £156,590, enabled the board to recommend the payment of a dividend at the same rate as last year, namely 7½ per cent, less tax.

The estimated crop for the 1954 season is placed at 10,272,750 lb and, although the quantity harvested up to the end of May is only 3,813,990 lb, it is expected that the full estimate will be procured as the best cropping months are still to come. Concentrated latex accounted for approximately 75 per cent of the crop and most of this latex was used in the manufacture of foam rubber.

With regard to our interest in the Oban (Nigeria) Rubber Estates Limited, I am glad to be able to report continued progress in the development and planting of this property.

The report and accounts were adopted.

AMALGAMATED ROADSTONE CORPORATION

EXCELLENT CURRENT PROSPECTS

WELL-EQUIPPED ORGANISATION

MR W. H. GATTY SAUNT'S REVIEW OF ACTIVITIES

The eighteenth annual general meeting of Amalgamated Roadstone Corporation Limited was held on July 15th, Mr W. H. Gatty Saunt (chairman and joint managing director) presiding.

The following is his circulated statement:

Last year's statement indicated that the results for the five months from November 1, 1952, to March 31, 1953, had been disappointing due to the exceptionally unfavourable weather conditions and the withholding by the Government of normal additional winter grants to local authorities. The summer seven months from April 1, 1953, to October 31, 1953, were then adversely affected by the serious reduction, almost without notice, of Government grants to local authorities for the fiscal year April, 1953, to March, 1954. The result of this reduction was that we were unable to make up the leeway of the winter set-back, and ended the financial year to October, 1953, with trading profits some £100,000 down on the previous year's results.

THE CURRENT YEAR

As regards the current year ending October 31, 1954, the five months November, 1953, to March, 1954, while still adversely affected by Government policy, had the advantage of far better weather conditions, and then for the fiscal year commencing April, 1954, the Government authorised an increase of expenditure on road maintenance of 13 per cent. This, coupled with the better winter weather, has enabled us during this current financial year, now nearly eight months spent, to achieve results not only far better than last year, but better even than the year before that, which, you will remember, was a record in the history of the company. Subject, of course, to any unforeseeable adversity, the prospects for the rest of the financial year are such that your directors feel justified in expressing their confidence that this year's financial results will be excellent.

I should like to draw your attention to the fact that reserves shown in the balance sheet under the heading of "capital, revenue and future taxation reserves" now total more than £800,000, which is within £100,000 of the amount of our issued ordinary share capital.

During the seven years ended October 31, 1953, capital expenditure on plant and equipment has amounted to £2,042,000, of which more than three-quarters has been met out of profit by way of initial allowances, depreciation and undivided profit, with the result that intrinsic values are very considerably in excess of book values.

A great deal is now being said, but little yet done, about the increasingly urgent necessity for far greater expenditure on roads than the Government has hitherto permitted and we are now well equipped to cope with substantially increased demands for all our products.

It should, of course, be noted that had the profits for the year been any higher than they were, nearly 80 per cent of any increase would have gone in taxation. It is fortunate that this current year's substantially increased profit earning should coincide with the termination of excess profits levy.

WILLIAMSTOWN SHIPPING COMPANY

The foregoing remarks do not, of course, apply to Williamstown Shipping Company whose accounts are not consolidated in our group accounts. This company, in which we are interested to the extent of 62 per cent, earned profits, subject to tax, £40,000 higher than the previous year

You will note in the consolidated balance sheet that the investment in this company was increased by £67,000 to nearly £400,000. This results from a reorganisation of that company's capital envisaged at the time we made our original investment, whereby its share capital of £178,000 has been divided into £160,000 12½ per cent preference shares and £18,000 in 360,000 ordinary shares of 1s. each, of which we now own the whole of the preference shares and 62½ per cent of the ordinary shares.

We are actually engaged in negotiating the sale of the preference shares on terms which should reduce to approximately £80,000 the book cost of our holding of ordinary shares and restore our liquidity which this investment had temporarily reduced.

From the directors' report you will note that its profits, subject only to income tax, were over £127,000 so that after allowing for the preference dividend of £20,000 (gross), more than £100,000 (gross) was applicable to the ordinary shares.

Trading profits of the current financial year to date are at least as good as last year's.

VALUATION OF FLEET

The fleet now comprises nine ships of which eight have been built for the company since 1946, the latest having been delivered in February of this year, and the company has building a new ship due for delivery at the end of April, 1955. A professional valuation of the existing fleet made in May this year shows the fleet to be worth over a million pounds and the valuation exceeds the book values by more than £230,000.

You will, of course, not forget that we hold just over half of the share capital of Amalgamated Limestone Corporation Limited whose fortunes and prospects are fully dealt with in Colonel Cleaver's statement.

As usual, we have had throughout the year under review, the loyal and helpful service of the staff of the company. For their assistance, I tender to them, not only on your behalf but for the board as well, our most sincere thanks.

CHAIRMAN'S ADDITIONAL REMARKS

Supplementing the remarks in his circulated statement, the chairman said:

In my statement circulated with the accounts, I referred to negotiations for the sale of the preference shares in the Williamstown Shipping Company, with a view to restoring our liquidity. In the subsequent course of negotiations and after consulting certain large institutions owning substantial holdings of both our preference and ordinary shares, we decided that it would be better to make a rights issue of additional ordinary shares in Amalgamated Roadstone Corporation.

An extraordinary general meeting will therefore be convened at an early date with the object of increasing our authorised ordinary share capital from £1 million (of which £900,000 is issued) to £1,500,000.

Thereafter, subject to the requisite Treasury consent being obtained, it is intended to offer to ordinary shareholders by way of rights one new share for every three shares held.

The report and accounts were adopted.

HENRY HOPE & SONS

RECORD TURNOVER

The fifty-sixth annual general meeting of Henry Hope & Sons, Limited, was held on July 21st at Smethwick, Mr Michael Hope (chairman and joint managing director) presiding.

The following is an extract from his circulated statement: The parent company's turnover for the year 1953-54 just exceeded last year's record both in volume and in value. Unfortunately the bulk of the increase in turnover was achieved in our standard window department, which operates on a very small profit margin, and most of the other departments suffered a relative setback. The result of this, combined with increases in the cost of wages, raw materials and services during the year, was a sharp fall in our trading profits, from £475,222 to £366,412.

Taxation is £280,000 lower than last year, and our subsidiaries have retained £40,000 less of their profits. We therefore reach the rather odd position that although our consolidated gross profit before tax is £300,000 down, the parent company's net profit is slightly higher at £257,195. Your directors feel justified under the circumstances in recommending an ordinary dividend of 27½ per cent.

We have always prided ourselves on the high level of our designing and engineering staff. Among the items which they have developed during the year is a new system of glazed curtain walling, which we are marketing under the name of "Windogrid" and which we believe will be widely used in the schools building programme, especially fo multi-storey buildings.

It was with mixed feelings that we learne in February of this year that the Governme had referred the standard metal windo industry to the Monopolies Commission. are not afraid of any investigation into methods of manufacture or trading, an report of the Commission, when it ap will we hope remove a number of misc tions. The standard metal window o as made here at Smethwick, hot-dip nised in our own plant and fitted wit bronze fittings of decent design, is standing example of value for mon will bear comparison with any material produced anywhere in the w

At the same time these inquiri money and take up valuable time; that of the Commission and of their but also that of the directors and staf metal window manufacturers, toget their legal and accounting advisers, to assemble the mass of historical an cal information, going back over twenty years and more, which the sion apparently require in order t balanced judgment on the matter to them. We can only hope that be able to prosecute their investig the standard metal window indu greater despatch than has apparen possible with some other inquiries.

The report and accounts were ado

AMALGAMATED LIMESTONE CORPORATION

SUCCESSFUL DEVELOPMENT OF UNDERTAKINGS

MR D. W. CLEAVER ON THE YEAR'S ACHIEVEMENTS

The third annual general meeting of Amalgamated Limestone Corporation Limited was held on July 15th, Mr D. W. Cleaver, DSO (the chairman), presiding.

The following is his circulated statement:

The prospectus issued on June 9, 1950, envisaged no early dividends, but a long-term policy of development out of profits. We are now able to present a picture which I am sure you will find both interesting and satisfactory.

You will see from the accounts that capital expenditure has been £343,175 on properties and plant, and £75,978 investments in associated companies. Approximately £125,000 has been incurred in quarries, plant and buildings for the production and sale of agricultural and industrial lime, which has been the bread-and-butter business of the Corporation since its inception and, in fact, the sole source of revenue to date.

Starting practically from scratch in this highly competitive industry the Corporation, in three and a half years, has earned a gross profit of nearly 100 per cent on capital employed therein, viz., £116,474, which has been applied as to £59,978 to depreciation, £27,653 to current and future taxation reserve and £28,793 to net undistributed profits carried forward.

NEW ACQUISITION

We have, during the last few months, acquired options on further limestone lands in the United Kingdom and in this connection have bought at Saltoun, near Edinburgh, at a very favourable price, a small agricultural limestone quarry with an assured profitable trade attached thereto. This quarry will, I feel sure, contribute a useful quota to what I may call the routine revenues of the Corporation from the sale of agricultural lime.

At our quarries at Plymouth, which were riginally developed and equipped for the roduction of agricultural lime, we have con-ructed a small cement works, at a capital st, to October 31, 1953, of approximately 20,000 and a present capacity of approxi-ly 40,000 tons per annum.

oduction was commenced in the early hs of this year and has now got through of the early teething troubles insepar-om such a project, and although little dition to our trading results is expected his initial training year, the prospects future are excellent. Costs are good ling prices are those laid down by the t Makers' Federation, of which we en accepted as members. The profit is substantial and promises still improvement. It has already been by your board to enlarge this plant necessary work to effect this has ed.

GRESS OF ULSTER LIMESTONE CORPORATION

amount of £75,978 shown as ents in Associated Companies," a r one half is invested in £37,000 nt stock (out of a total issue of and 47,500 out of 100,000 1s. shares, Ulster Limestone Corporation Limited, reference to which was made in last year's statement. It includes also just over £7,000 owing to us at that date on current account, since paid.

This undertaking earned in the year to October 31, 1953, £55,259, subject only to taxation. Here also the policy is conservation of resources. No dividend having been paid, your Corporation's share of these profits is not reflected in the accounts now before you. The progress of this Ulster company during the seven months of the present financial year is such as to indicate that this result will again be attained, if not exceeded.

The balance of £29,500, plus £15,000 transmitted since the date of the balance sheet, comprises an interest of approximately 40 per cent of the equity share capital (subject to £500,000 6 per cent stock which, as mentioned in last year's statement, was placed for cash) in the British Standard Portland Cement Company Limited registered in Kenya.

OVERSEAS

This company has recently completed construction of cement works at Mombasa, in the protectorate area of Kenya, which commenced production a few months ago with two kilns capable of producing 75,000 tons a year and, as envisaged in the directors' report last year, the erection of the third kiln then contemplated is now actually in hand. This will raise the capacity of the plant to approximately 110,000 tons a year. It is possible that at an early date decisions will be made to duplicate out of profit the whole installation at Mombasa, to increase capacity to over 200,000 tons a year.

Here, also, the cement made is of first-class quality; the costs are good and the margin of profit is considerable. Situate on the coast, the works are well placed for effecting delivery not only by rail to Nairobi and beyond, but also by shipment to, for example, Dar es Salam, Aden and the East Coast of the African Continent.

I, personally, was out there in February this year in time to see the first kiln lit up and was very greatly impressed by the excellence of the works in every way.

In view of this company's intention to duplicate out of profit and to redeem the £500,000 stock before making any cash distribution to shareholders, no early return is expected on this investment which should, however, attain within a comparatively short time, a capital value far in excess of its modest cost.

Generally, therefore, the picture has developed according to plan and although perhaps another year or two may be added to the incubation period referred to in our prospectus, this survey of the Corporation's achievements and acquisitions to date should amply satisfy both board and shareholders alike.

SEARCH FOR NEW OPPORTUNITIES *CONTINUED*

We continue to search for new opportunities for profitable investment and exploitation both at home and abroad—some have been actively investigated and rejected, others are still under consideration—and I do assure you that no opportunity will be lost of any advancement of your Corporation's interests which may become available.

I am sure you will join with me and the board in thanking the staff for their wholehearted keenness and enthusiasm which has contributed so much to the successful development of our several undertakings.

The report and accounts were adopted.

VENT-AXIA LIMITED

TRADING BASIS BROADENED

The eighteenth annual general meeting of Vent-Axia Limited was held on July 20th in London, Mr J. C. Akester, chairman and managing director, presiding.

The following is an extract from his circulated statement:

During the financial year which ended on March 31, 1954, the company acquired the entire issued capital of Axia Fans Limited. This year, therefore, we present for the first time, in addition to the normal accounts of Vent-Axia Limited, a consolidated balance sheet and profit and loss account of the group which incorporates the trading results of the subsidiary company for the eight months ended March 31, 1954.

I will deal first with the accounts of Vent-Axia Limited. The authorised capital is now £240,000, and during the year 60,000 £1 preference shares and £5,600 ordinary stock were added to the issued capital in connection with the acquisition of Axia Fans Limited. The trading profit for the year ended March 31, 1954, was £102,895, an increase of £17,172 over last year. Your directors recommend payment of a final dividend on the ordinary stock of 45 per cent, less tax, making 70 per cent, less tax, for the year, as against 62½ per cent last year.

Dealing now with the consolidated accounts, the group profit before taxation was £115,317. After providing taxation, £65,893, and costs relating to increased capital, etc., £5,309, there remains a net group profit of £44,115. Net assets of the group are £245,750 and current assets exceed current liabilities by £218,272.

During the last twelve months we have expanded our sales organisation, and a new branch was opened at Bristol in October to extend our activities in the West Country. The value of both home and export orders booked was higher than last year, and current orders continue to show an upward trend. The demand for the new Vent-Axia Reversible which we put on the market some fifteen months ago has steadily increased, and we have now superseded our original Extract and Intake models with a new range which incorporates the improvements in design of the Reversible Unit. As a result of this, standardisation of the components has been achieved, which in itself will lead to simplification of production. The acquisition of Axia Fans Limited during the past year has broadened the trading basis of your company and should add to its goodwill and standing generally. This company, which was founded a few years earlier than Vent-Axia Limited, manufactures high-efficiency fans for general ventilation purposes, in particular for the machinery spaces of ships and the refrigerated holds. It also carries out the complete heating and ventilating installations of the crew and passenger accommodation. The number and type of orders the company has in hand gives us every confidence in the future.

The report and accounts were adopted.

AUSTRALIAN ESTATES COMPANY LIMITED

SIR DENYS LOWSON'S ADDRESS

ANOTHER YEAR OF SOUND PROGRESS

The annual general meeting of The Australian Estates Company Limited was held on July 14th in London.

Sir Denys Lowson, Bt. (Chairman and managing director), presided, and, in the course of his speech, said:

I feel sure that you would wish me straight away to give a very warm welcome to our Australian director and general manager, Mr George S. Colman, CBE, whom we are very happy indeed to see amongst us today. He has come over from Australia and we are having great advantage from his present visit to this country, which does allow us to discuss at first hand a number of the problems which he has to face continuously out there.

ACCOUNTS

The consolidated profit and loss account for the year ended December 31, 1953, shows a gross trading profit of £1,145,033, as compared with a corresponding figure of £1,010,151 for the previous year.

After deducting Australian and United Kingdom tax of £565,363, also depreciation and other charges, there is a net profit left of £220,169, which represents another successful year's trading. The board recommends a dividend of 15 per cent and also a bonus of 5 per cent out of the profits distributed by the Joint Organisation for the Disposal of Wartime Wool Stocks. After providing for this distribution and the appropriations shown in the profit and loss account, the amount to be carried forward to 1954 is £145,795.

The fourth interim distribution of the Joint Organisation Wartime Wool Profits, amounting to £A14,700,000, was made by the Commonwealth Government in April, 1954.

It is expected that a further sum of approximately £A12 million will be paid to growers before June, 1955, which will conclude the Wool Realisation (Distribution of Profits) Act of 1948.

The 1953 season was generally satisfactory in Northern Queensland, but the rainfall in the Central and Southern districts was mostly below average, although our properties had a fairly satisfactory year, with the exception of Terrick stud and Terrick Flock where sheep had to be fed. Lambings were slightly higher and the wool clip better.

The season in Victoria was generally satisfactory, though dry towards the end of the year.

Our agency business in Queensland and Victoria maintained a high turnover in livestock, and most branches showed satisfactory results. Expenses rose slightly as compared with 1952, and, although still very high, there was more stability during the year than for some time past.

Both Kalamia and Pleystowe sugar mills treated record tonnages of cane, and the cane grown at our Kalamia plantation was the highest in its history.

I have referred on several occasions to the extremely high capital cost of machinery, plant and buildings, which has imposed a considerable burden on the Company in the developments at their sugar mills. Repairs and maintenance on all stations and mills are also on a very much higher level than pre-war, and little relief is obtained for depreciation in taxation, which adversely affects the liquid funds of all companies.

PASTORAL

Our cattle properties had a good season, with record brandings on three stations and a slightly higher number of cattle sold than in 1952.

Although the rainfall was below average at our Queensland sheep properties, it was still a fairly good year; sheep numbers rose, more lambs were marked, and our total wool clip for Queensland and New South Wales was 9,451 bales, compared with 8,245 bales the year before. The average price realised for wool was slightly higher than in 1952.

Poor rainfall affected our New South Wales properties, and grasshoppers destroyed most of the pastures on several stations; hand-feeding had to be carried out for some months to maintain our breeding flocks. Jemalong, in particular, suffered from drought and grasshoppers, which combined to damage both the pastures and a large area under wheat. Last year Jemalong suffered from very severe flooding from the Lachlan river.

Our stud properties were successful at country shows and sheep sales.

SUGAR

The 1953 sugar production in Queensland was a record, yielding 1,223,000 tons, as compared with 934,226 tons in 1952, an increase of some 31 per cent.

Record cane crops were harvested for all but 8 out of 31 mills in Queensland, and each of these was only slightly below its record performance.

The seasonal prospects are favourable for another year of high tonnages in 1954, and there will also be an increase in the acreage under cane.

It is estimated that the value of export sugar from Australia from the 1953 season will be nearly £30 million, which is an important contribution to the country's overseas earnings.

The Annual Conference under the British Commonwealth Sugar Agreement was held in London in November, 1953. This Agreement will continue to operate until December, 1961—that is, for another seven years—and is also subject to the possibility of extension.

An International Sugar Agreement was negotiated in July/August, 1953, and took effect from January 1, 1954, to operate for five years. This Agreement does not affect the Australian quota of 600,000 tons under the British Commonwealth Sugar Agreement. You will appreciate that we only get a fixed price for our quota under the British Commonwealth Sugar Agreement and our quota for internal consumption in Australia, and in so far as there is any excess, that is sold on the world market at whatever the world market price might be.

Our Kalamia mill treated 360,483 tons of cane for the season, compared with 315,441 tons in 1952. Pleystowe mill crushed 361,932 tons as compared with 256,180 tons in the previous year—easily a record for both mills. Our total sugar production from the two mills came out at no less than 107,000 tons of sugar, which represents somewhere about a twelfth, of the total Queensland production of sugar.

The rainfall during the last two seasons was well distributed, and made for maximum production.

Sugar mills in Queensland have spent several millions of pounds in the last three years, to enlarge and modernise their plants, to cope with the increased tonnages from additional assignments of cane lands and higher yielding varieties of cane.

This Company's expenditure has been high, but was necessary to treat the heavy tonnage tendered to the mills, and these quantities may even be exceeded in the future.

The prewar record at Kalamia was 254,650 tons, and at Pleystowe 245,958 tons, so the 1953 crushings are an increase of 41 per cent at Kalamia and 47 per cent at Pleystowe, which illustrates the need for the enlargement of the mills.

In order to compare our engineering and chemical practices with those of other countries, we have been in the habit for some years of sending technical officers to Hawaii, Cuba, USA and the Philippines, and, at the beginning of 1954, two of our chief engineers paid a visit to the West Indies. We acknowledge with thanks the cordial assistance afforded to our officers by the management and staffs of the mills in the West Indies, particularly those of Messrs Tate & Lyle.

AGENCY

During the year, we added to our Victorian organisation by purchasing the stock business of Mr Leo Kearney at Murchison and Nagambie, and also the business of John McNamara & Compar (Echuca) Pty. Limited.

In Queensland, we purchased the s businesses of M. J. Ward & Company McWhinney & Company at Milmerr Southern Queensland. We also oper sub-branch at Dulacca in Southern Q land.

We now have altogether some 59 branches, compared with 17 ten years and our turnover of sheep, lambs, catt pigs has greatly increased.

Shareholders will appreciate that wi two big wool stores in Melbourne an bane, it is essential to have a wide c connection, which ensures that these used to the maximum advantage; t this policy of acquiring sub-branch turnover of wool at our sales and the handled in our wool stores would h bound to show a considerable reduc

IMPROVEMENTS

The policy mentioned in my las of bringing all our stations, mil

branches up to a high standard has continued, which is in keeping with the trend to modernise all primary and secondary industries in Australia, to raise production and efficiency, our aims being to use the opportunity afforded by the recent good seasons, not only to improve our water facilities and our sub-divisional fencing (thereby allowing better control of herds and reducing losses from rabbits), but also to improve all our working quarters and houses for station staff and shearers. In every case, the maintenance of our premises is fully up to the maximum standard required under the local Wage Board Awards, and we have received many favourable commendations for the work which we have done, from official and other authorities.

In that connection, I have previously spoken of the great hardship from which we suffer as regards taxation. In company with many other companies operating overseas, we find that the local governments will frequently give allowances in full against taxation for improvements carried out. For instance, in Australia today expenditure on water improvements or sub-divisional fencing will probably be allowed in full against local earnings there, but when it comes to a question of British taxation that expenditure is disallowed and then a mere pittance in comparison is granted by way of the usual depreciation allowances, which are spread over a long period of time. Therefore, we do operate with a great handicap as, for instance, many of the mining companies have also found.

RESEARCH

I should like to record my appreciation of the valuable assistance the company has received from the Department of Agriculture and Stock in Queensland, who have helped us from time to time on disease and animal nutrition problems on our sheep and cattle properties.

The Department of Agriculture in New South Wales has also been of great assistance in advising us on pasture improvement and agricultural operations, particularly at Jemalong, and we tender them our thanks.

We are now commencing, on our Queensland sheep properties, a special study of soils, grasses, and animal husbandry, designed o increase numbers and reduce mortality. In his work, the agricultural and veterinary chools of the Queensland University have en good enough to co-operate with us, and sist in the design and supervision of the ogrammes of work, which will be spread r several years. As you know, our two big bles in Queensland are the high rate of lity of both sheep and cattle, frequently ing not less than 10 per cent of the each year; and, on the other hand, the very disappointing fertility rate as sheep—and, to a lesser extent, as cattle. Very often we only get an of 50 per cent of lambs from our hich have been joined to the rams, and ble average is certainly not more than per cent.

Commonwealth Scientific & Industrial Organisation in Australia is doing work in assisting primary produc- has shown how poor lands can be nductive by the addition of trace and fertiliser; made important ex- in the drought feeding of sheep, e of improved pastures rotated with gned to increase wheat and other

roduction of the disease known natosis by the Commonwealth & Industrial Research Organisation s ago has resulted in an enormous n the number of rabbits, particularly in New South Wales and Victoria, with consequent benefit to the carrying capacity of the land.

Four main features affecting rural food production in many parts of Australia are scarcity of water, and droughts; poverty of soils; losses from plant and animal diseases; and rabbits.

Irrigation works now in progress will help millions of acres, but only a small proportion of the total area of Australia.

In the pastoral districts of Queensland and New South Wales, our company has spent large sums on the conservation of water, to save stock in drought periods. Although this is allowed in Australia in full as a charge against profits, it is disallowed in this country—which places a heavy burden on us.

WOOL

The Australian wool selling season for 1953/54 was again a satisfactory one, free from industrial trouble and without any severe fluctuations in price levels.

Competition was good throughout the year. The United Kingdom was a little less active than in the previous season, but their buying is still the main support of the Australian wool market. France and Italy occupied second and third places respectively. Belgium, Japan and Russia followed in that order, Japan purchasing less than last year, probably due to an adverse sterling balance. Buying by the United States of America was disappointing.

FIGURES FOR THE AUSTRALIAN CLIP, SOLD IN AUSTRALIA, ARE:—

	Bales	Gross value £	Price per lb. d
1949-50	3,597,940	286,919,294	63·77
1950-51	3,549,998	636,156,430	144·97
1951-52	3,413,805	308,107,658	72·86
1952-53	3,893,249	405,195,581	82·32
1953-54 (est.)	3,821,900	394,000,000	83·0

When auctions were resumed in 1946/7 after the war, 2,955,972 bales were sold for a gross return of £92,601,206 and an average price of 25.20d. per pound.

Now, as you know, we are very mindful of the possible impact of synthetic textiles and competitive textiles. It is a fact, however, that wool is regarded as a rather dear textile fibre on its present basis, and the past season has borne witness to strong consumer-resistance to high prices. There is an increasing disposition for the large wholesale clothiers and hosiery producers to keep the prices of their products broadly stable.

Competition from man-made fibres is a factor in some directions (notably in the United States), but at the moment these fibres are being used rather as complementary than as competitive raw materials. In fact, in many cases they are not used to cheapen the ultimate product, but to give it special properties, and may thus help to stimulate the demand for wool. This applies particularly to such fibres as nylon and terylene.

Whilst there has been some falling-off in the rate of wool consumption and machinery activity in the United Kingdom compared with the best points of last year, when pipelines were being filled, the industry continues to be well employed, with a shortage of work people and stocks not more than adequate.

In my last report, I mentioned the opening of a Wool Futures Market for the first time in London. So far, it would appear that Australian producers have operated only to a small extent on this market.

OUTLOOK

In Queensland, rains over most parts of the State during the first three months gave the 1954 season a good start, and most districts will enter the Australian winter with satisfactory feed and water supplies. Some parts of the South Western Darling Downs and portions of the far South West and North West need more rain.

Good rains on the coast of Queensland should ensure another very high output of sugar.

In New South Wales, only light rains have come and good falls are badly needed in many districts.

In Victoria, the summer was dry, but satisfactory rain came in April. However, many areas still need more to carry them through until the spring.

STAFF

A number of our station managers and staffs had an anxious year owing to an indifferent season in some areas. The sugar mill staffs had a particularly busy year, with record crushings and the installation of new plant. The agency branch staffs worked hard to keep up their turnover.

We acknowledge the efforts and loyalty of the whole service.

We also appreciate the good work of our subsidiary organisations—Trenchard's and McNamara's—and our partners at Bendigo, Messrs F. A. Hill & Company, all of whom have given us good co-operation in our growing Victorian Agency business.

As I have indicated on more than one occasion in the past, the great strength of our business lies in the fact that we are not dependent on any single activity. We have four main branches—sheep, cattle, agency and sugar. The agency side is naturally considerably bound up with the prices of wool and sheep. Results from these various activities frequently fluctuate; and a poor season in, say, sugar, will often be made good by substantial earnings from the pastoral side. This policy owes much to the foresight of Mr G. S. Colman, our Australian director and general manager, whom we are so delighted to have with us. His sound judgment, enthusiasm and hard work have brought the company over the last few years to the fine position which it now occupies. Once more, Mr Colman, we express to you our warmest thanks and grateful appreciation for a very fine year's results. We also welcome in this country at the present time Mr Kieran McNamara, director and Melbourne manager of our subsidiary, John McNamara and Co. Pty. Ltd., and associated companies.

The report and accounts were unanimously adopted.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:

The Company Meetings Department,
The Economist,
22 Ryder Street, S.W.1.

de WENDEL & CIE., SA (PARIS)

IRON AND STEEL PRODUCTION

The annual general meeting of de Wendel & Cie., SA, was held in Paris on June 23rd with Count Emmanuel de Mitry in the chair, and the following is a summary of the report presented by the board:

The work of the European iron and steel industry last year was marked by the opening, on May 1st, of the common steel market. The old system of agreements and protective tariffs was superseded by unfettered competition, not only among the industries of the six countries constituting the European Coal and Steel Community but also within those countries themselves. In France, the impact of the opening of the common market at a time of economic depression at home and falling sales abroad was severe, and resulted in violent price fluctuations which badly affected both producers and manufacturers. It was not until the first three months of this year that more settled conditions could be re-established.

The company's steel production, although 3.5 per cent. short of the 1952 figure, yet reached 1,431,000 tons, thanks to a well-filled order book on January 1, 1953. Turnover rose to Frs. 49,340 million.

MODERNISATION PROGRESS

The company's modernisation programme made good progress, and capital expenditure in 1953 totalled Frs. 7,216 million. Mechanisation in the iron mines continued to develop, and it is already beginning to show results in the form of a rising output.

A modern blast furnace, completed in 1953, was fired in March this year. Progress was also made on several other projects, such as the erection of a new continuous wire-rolling mill, the extension of a tin-plate mill, the construction of coke-oven batteries, and a housing scheme for the company's personnel.

"Sollac," a company in which de Wendel & Cie. has an important holding, successfully put its new continuous strip mill into operation during 1953. This has facilitated the production of black iron and sheeting of steadily improving quality.

PROFIT AND DIVIDEND

The balance sheet at December 31, 1953, showed current assets of Frs. 21,929,173,117, as against short-term liabilities amounting to Frs. 15,138,848,971. Fixed assets totalled Frs. 28,005,526,454.

Profits for the year, after allowing Frs. 3,384,121,077 for amortisation, totalled Frs. 509,757,971.

It was proposed to distribute a dividend of Frs. 400 gross for Frs. 5,000 shares fully paid up, and Frs. 275 gross for Frs. 5,000 shares paid up by half on December 31, 1953.

The report and the resolutions proposed by the board were adopted.

ALLIED IRONFOUNDERS LIMITED

A QUARTER-CENTURY OF PROGRESS

POSITION OF FINANCIAL STRENGTH

The twenty-fifth annual general meeting of Allied Ironfounders Limited was held on July 22nd, in London. The Chairman, Mr James Shaw, presided. The following is an extract from his circulated statement:

Allied Ironfounders had its 25th anniversary earlier this year. During this quarter-century the company has grown and prospered and now occupies a leading position in the light castings industry.

The trading profit this year is £2,097,551, over £320,000 higher than in 1953. After allowing for taxation of £991,420 and bringing in certain expenses and credits we have a balance of profit of £778,138. With the amount of £668,569 brought forward the balance available is £1,446,707. Your directors have decided to withdraw the £250,000 we had previously placed to a stocks reserve as we are satisfied that the stocks we hold have been *conservatively valued and are in* good condition with no serious risk of obsolescence. We have then appropriated £838,878 to the general reserve, bringing the figure on the consolidated balance sheet to £1 million. We now propose to increase the final dividend on the ordinary shares to 15 per cent, making a total of 22½ per cent. Your company's financial position is exceedingly strong and the improvement in the earnings for the year in our opinion justifies this increased distribution.

I mentioned two years ago that we were giving careful consideration to the basis of calculating the charge for depreciation and we have revalued both buildings and plant on the basis of their replacement cost at March 31, 1953. From this you will see that assets which originally cost us some £4,066,000 would, if replaced now, call for a total expenditure of over £7,197,000, and the excess of more than £3 million over the original cost will give you an indication of the additional funds which we shall have to invest in our fixed assets as and when we replace them.

The depreciation charge this year is calculated on these replacement costs, and to cover fully past depreciation on the same basis we have set aside out of our revenue reserves the sum of £2,343,977. The strength of our financial position has enabled us to do this out of taxed profits whilst leaving a substantial balance of revenue reserves and unappropriated profits.

The increase in our stocks and debtors over recent years has been very considerable, and the revaluation of our fixed assets further emphasises the increase in the amount of capital which is now permanently required in the business. Your directors feel that this change should be recognised by capitalising part of the revenue reserves and increasing the ordinary share capital by a bonus issue on a one-for-one basis.

As shown by the table given with the accounts, the growth in the capital employed from £3,062,389 to £8,707,433 over the past ten years is impressive, and it is even more satisfactory that the profits have increased in even greater proportion. The gross ordinary dividend which we are paying for the past year represents no more than 7.6 per cent on the ordinary shareholders' proportion of the capital employed in the business.

ENCOURAGING PROSPECTS

Last year I was cautious when speaking of our trading prospects, but over the past year conditions have improved and have offered us opportunities of which we have taken advantage. An expanding housing programme has absorbed a large proportion of our output, and this, along with the marketing of new speciality products, has kept most of our plants busy. We have maintained and improved both plants and production methods, and this, with our excellent labour force, has all contributed to the very satisfactory results shown by this latest page in your company's history. The forward prospects as your directors view them at this time are encouraging and we look ahead in a spirit of confidence.

The report was adopted and the capitalisation proposals approved.

UNIVERSITY OF SYDNEY, AUSTRALIA

Applications are invited for the position of ASSISTANT LIBRARIAN in the Fisher Library. Applicants must be graduates of a recognised University, must have Professional Membership of an approved Library Association or an equivalent qualification, and experience in a large library.

The salary is within the range of £A1,500-£A1,750 per annum, with annual increments of £A50, and is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to the qualifications and experience of the successful applicant.

Finance available for home purchase under Staff Members' Housing Scheme

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in Australia and London, is August 31, 1954.

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NEWLY qualified Accountant required by manufacturing company for Kingston-on-Thames offices. The initial duties, which will be on internal audit, afford opportunities for gaining experience of industrial accounting.—Write, with full details, to Box 647.

WYE COLLEGE
(University of London)

The Governing Body of Wye College invites applications for post of Assistant Agricultural Economist in the Agricultural Economics Department. Applicants must be graduates, preferably qualifications in Economics or *Horticulture or Agriculture*. The appointment will be made in the A.A.E. scale (£390-£670 consolidated with superannuation under F.S.S.U.

Further particulars may be obtained from the Registrar, Wye College, Nr. Ashford, Kent to whom applications should be forwarded as soon as possible.

HER MAJESTY'S COLONIAL SERVICE

Applications are invited for the following posts:

Vacancies are occurring in the Colonial Service for Statistician (CDE.59/88/02), on permanent and pensionable or contract terms. For present vacancies in the East African Statistical Department practical experience is essential; applications for Statistician generally can, however, be entertained from young graduates who have such experience provided they possess the normal basic qualification of a good Honours Degree in Statistics or in Mathematics, Economics or other appropriate main subjects combined with Statistics.

Application forms and further particulars of present vacancies and of conditions of service can be obtained from the Director of Recruitment (Colonial Service), Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1.

BUSINESS-BUILDING opportunity sought by energetic marketing manager with proven success in advertising promotion, economic/market research.—Box 648.

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AN Industrial Company, outstanding in its own field, requires an experienced ACCOUNTANT to undertake the initiation and development of modern accountancy methods to a wide range of products. *The highest* professional qualifications and industrial experience are essential. A University Degree would be an added advantage but not essential. A substantial commencing salary is offered, which should increase to £3,000 per annum in five years if progress is satisfactory.—Applicants, aged 30-35, should send full details of qualifications and experience to Box 645.

AMERICAN private organisation located on Continent requires Chief Analyst to *specialise* in audience research techniques concerning effectiveness of broadcasts to Iron Curtain countries. Applicant should have *some* knowledge of political problems of East European countries and experience in using social science research techniques; also ability to evaluate and write reports. No language requirements. Salary for appropriate person would exceed £1,000 plus furnished housing for self and family and *transportation*.—Full particulars, including picture, should be furnished in first letter to Box 643.

A LONDON manufacturing company, shortly moving to Kingston-on-Thames, has a vacancy for a qualified Accountant to take charge of all costing and inventory control. Experience in a process industry desirable. Good salary and prospects.—Detailed applications to *Box 646*.

ECONOMIC RESEARCH ASSISTANT *required by International* Wool Secretariat. Applicants should have a First or Upper Second Honours Degree in Economics and *some knowledge of* Mathematics. Starting salary £475-£600, with superannuation benefits. —Apply in writing, giving references and full particulars of qualifications, experience, etc., to the Secretary, International Wool Secretariat, Dorland *House*, 18-20 Regent Street, London, S.W.1, marking cover "Confidential E."

THE British Institute of *Management* invites applications for replacement vacancy of Information Officer in the field of financial and office management. University degree and/or a technical qualification, and experience in finance, industry or commerce are required, together with the ability to write accurately and fluently. Age 25-35. Commencing salary between £550 and £650 p.a.—Further details from the Director, Management House, 8 Hill Street, W.1. (Envelope to be marked "IOF.")

EXPERIENCED Cost Accountant required. Preferably with knowledge of B.F.M.P. costing system but keen interest in costing method essential. Good salary to right man.—Apply in first instance for application form to Personnel Officer, Jarrold's Printing Works, Norwich.

WANTED for cash, Review of Economic Studies and Economic History Review, preferably complete *sets* but odd *runs volumes* welcomed.—Box 637.

EXPORT SALES. *Applications are* invited for an appointment as Assistant to the Export Manager of a large manufacturing organisation. The *duties will include* the general supervision of the Export Office, responsibility for the presentation of statistics and the entertainment of overseas visitors. A good education is essential preference may be given to University graduates, but, in addition, candidates must have a thorough knowledge of export procedure gained through previous administrative experience in an export organisation. The appointment offers good opportunities and will carry an attractive starting salary. All applications will be acknowledged and will be treated in strict confidence.—Box 640. This vacancy has been notified in accordance with the Notification of Vacancies *Order*, 1952.

ACCOUNTANT with experience of industrial management accountancy and preferably C.A. and C.W.A. for post of CONTROLLER in rapidly expanding well-founded concern in country town in South. Reply unless you can show by reference from leading member of leading profession or from leading industrialist that you have outstanding capacity for clear exposition and ability to work with others of different outlook beyond the extent to which such ability is required by an ordinary good accountant.—Reply to Box 631.

If Economists' Bookshop, 11-12 Clement's Inn Passage, London, WC2, invites you to *submit lists* of books on Economics, History and Public Services, you may wish to sell (*periodicals excluded*).

EXPERIENCED FOREIGN SALES *MANAGER*, wide international experience in commerce and industry, fluent French, German, Spanish, required for appointment.—Please reply Box 625.

BEDFORD COLLEGE (University of London)
REGENT'S PARK, N.W.1

The Council of Bedford College invites applications for Research Assistant (man or woman) in Social History, in the Department of Sociology, from October 1st for one or two years; salary £350 or £400. Good Honours degree in History, or in Economics with Economic History as *special subject, essential; historical or* social research experience desirable.—Applications, with names of three referees, to the Secretary by August 20th.

HER MAJESTY'S COLONIAL SERVICE

Applications are invited for the following post.

A vacancy exists for a Statistician (BCD.69/30/01) to undertake work in British Guiana similar to the function of the Central Statistical Office in the United Kingdom. A good academic background and wide practical experience are essential qualifications.

The appointment is on contract terms for two or three years. Salary at the rate of $7,200 (£1,500) per annum. A gratuity is payable on satisfactory completion of contract. Generous home leave on full salary; free passages provided for the officer, his wife and children not exceeding five persons in all.—Intending candidates should write for application forms to the Director of Recruitment (Colonial Service), Sanctuary Buildings, Great Smith Street, London, S.W.1, from whom further particulars may be obtained.

OVERSEAS BANKING

Important managerial vacancy in British Colonial Territory arising shortly. Applications invited from fully competent banker having previous experience similar territory, of appropriate age and with attributes of character and personality required to assume control under Head Office of existing branches and staff.—Write with particulars experience and *qualifications* to Box R. 181, c/o Streets, 110 Old Broad Street, E.C.2.

COMMERCIAL MANAGER

An *old-established* Scottish firm of biscuit *makers require* a Commercial Manager of considerable experience. The post involves control of the financial and sales functions of the company, which has an annual turnover of about £1 million. The salary is in *accordance* with the responsibilities of this important appointment.—Please send full details, which will be treated as strictly confidential, to Box 1869, Robertson and Scott, 42 Charlotte Square, Edinburgh, 2.

GERMANY

British subject, former German banker, going to Germany, would like to act as link between industrial concerns, banks, exporters, etc.—Box 644.

WORKS Magazine Editor required by manufacturing organisation in West London. Should be well educated, preferably Arts Graduate with *some* industrial experience in personnel management or similar sphere.—Write age, qualifications, experience and salary required, to Box 639.

ASSISTANT SALES MANAGER required by old-established company near London starting new division to sell domestic products through ironmongers and hardware trade. Must have suitable practical *selling* experience, be *competent to train* salesmen and supervise office organisation. Excellent opportunity for energetic *young man* with ideas.—Write, giving age, experience and salary required to Box 638. This vacancy has been notified in accordance with *the Notification of Vacancies* Order, 1952.

BEECHAM GROUP LIMITED require a Deputy Accountant aged 30 to 40 years for a factory in the Greater London area. Applicant must be fully qualified in financial and cost accounting. Experience in budgetary control and standard *costing essential*. Post is superannuated and offers excellent opportunity. Four-figure salary dependent upon experience and qualifications.—Write in confidence to Personnel Controller, *Beecham Group* Limited, 68 Pall Mall, London, S.W.1.

PERSONAL SECRETARY to Managing Director. Polytechnic Touring Association, Ltd., 73/77 Oxford Street, W.1. Business experience essential. Commence early September.—Written applications to Personnel Officer. *This* vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.

DOES YOUR COMPANY require a young experienced *Production* Controller? Age 34. *If so*, let me send you details of my successful record and *experience* in *all aspects of Production Control* Management.—Box 641.

ENGLISHMAN at present in England and returning to Australia early August, seeks Agencies for Queensland and New South Wales.—Box 642.

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No. 1

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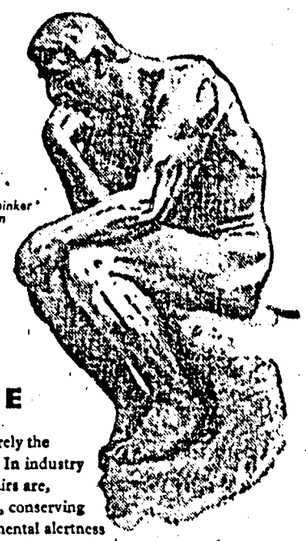
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The Economist
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ABC of Peace and Security 341
Agreement on Suez 343
Prickly Thistle 344
In Father's Footsteps? 346

NOTES OF THE WEEK

No New Order; Bull by the Horns; Co-existing with Migs; Mr Rhee Runs Amuck; Unfinished Business; Next Year's Programme; Civil Defence at a Price; No Help from Molotov; Cuts in Strategic Controls; The Unfortunate Case of Dr John; Schools Below the Minimum; Copper Workers' Colour Bar; Luxemburg Frees Special Steels; Overlords in Argentina; Pockets of Trouble; Compromise in Arabia; More Trouble for the Ministry. 348

LETTERS TO THE EDITOR 357
BOOKS AND PUBLICATIONS . . 358

AMERICAN SURVEY

Making the Best of Geneva . . . 363
Fruits of the Filibuster; Escape for Watches; Deficit and Debt; Rival Loyalties in Texas; Tax Reliefs; Wheat in the Dark; Electricity in an Election.

THE WORLD OVERSEAS

Co-existence in Germany 369
Aggression by Locust; Economics of Divided Vietnam; Tito and the Peasants; Reshuffle in Albania; Divided Bengal; Cards on the Table in Rio; China's New Constitution.

THE BUSINESS WORLD

tomic Energy and Industry . . . 379
xperiment at Wilton 381

BUSINESS NOTES

esian Loan Success; Freer Common-n Markets; Wider Use of Sterling; "No" to Option Dealings; Squabbles in our Street; Hire Purchase Faces Com-n; Peak Output of Paper; "Gussies" ing Profits; Productivity in Gas; No rial Code; Coal for the Grate; Light for Aircraft; Price Puzzle; Mining e Deal; Bristol and Shorts; Standards for Exports; Mercury in Atomic Power ; Shorter Notes. 383

NY NOTES AND SECURITY

ES 393
TICS 396

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ABC of Peace and Security

MOLOTOV has lost no time in issuing an invitation to another conference on the subject of European security and of Germany's place in it. The invitation will without doubt be refused. There is nothing new in it; the American and British Governments have, within the last few weeks, emphatically reaffirmed the principles of their European policy; and M. Mendès-France, even if he wished to accept (of which there is no sign, whatever some of his supporters may say), would not so openly break with France's principal allies.

Indeed, Molotov must have known that his invitation would be refused. He issued it, not in any expectation of getting it accepted, but for propaganda reasons. His aim, his unvarying aim, is to weaken and divide the non-Communist world. At the moment his chief preoccupation is to halt the process of embodying Germany in the western world and to prevent either the ratification of the European Defence Community or an invitation to Germany to join the North Atlantic Treaty Organisation (which is not an alternative to EDC but an inferior variant of it). This is the target for 1954; behind it is the wider objective of isolating the United States from its friends and thus disrupting Nato itself.

This has been the aim of Soviet policy ever since the end of the war; there is nothing either new or doubtful about it. The only thing that has changed is the method employed for pursuing the aim. Stalin's brutal tactics obviously failed; he succeeded only in compacting the western world. Indeed, the precision of the timing whereby, whenever the western nations were showing signs of drifting apart, he did something to drive them into each other's arms again, was so great that one might almost have thought that was his object. Now Molotov is trying the soft treatment. He is trying to drive a wedge between the western governments and their public opinions by feeding the illusions of politicians, of journalists and of ordinary men and women who long for peace and security. He hopes by these means to win over the French government, to put the British and German governments on the defensive in their own countries and thus make them incapable of any firmness, and by this means, since he cannot convert the Americans, to leave them bombinating *in vacuo*.

Thus a new phase of the cold war is on, fought not with threats but with promises, playing not upon the fears of free men but upon their hopes. It is a much more dangerous method of cold warfare than any that Stalin ever pursued. And unfortunately events have provided the new campaign with a magnificent exhibit in the conference at Geneva. "Look," the western peoples will be told over and over again in the coming months, "what progress can be made if only you will turn your backs on those stupid Americans. See how reasonable we can be in negotiation if you will only leave your guns outside the door; if we have appeared to be unyielding in the past it is only because we were afraid for our own security. If only you will abandon your

arrangements for mutual defence, there is nothing that cannot be solved. As a first step we can surely all promise to ban that terrifying bomb." Thus will the example of Geneva be tirelessly paraded in Communist propaganda. Every care will be taken to prevent anything from spoiling the picture—which explains the strange phenomenon of the Chinese Government apologising so promptly for the Hainan incident. It would be idle to deny that this line of propaganda is achieving a certain success. It has not yet reached anywhere near the strength that would make the western governments hesitate in rejecting Molotov's invitation to a European Geneva. But it ought to lead them into taking special care to see that their peoples understand and accept the reasons for rejection.

★

This, therefore, is a time for going back to the simple fundamentals of foreign policy and for repeating them as clearly and as often as the Communists repeat their slogans. The danger now is not with the sophisticates, the experts, the chancelleries who understand the facts of international life. The danger is with the simple folk who can be misled. And since Geneva is evidently to be the shining example, it is as well to start with a few simple facts about Geneva.

1. *The agreements reached last week were not a victory either for the West, or for the spirit of reason, or for M. Mendès-France and Mr Eden. They were the acknowledgement of a defeat.* Even if the demarcation line drawn across the waist of Vietnam can be maintained and defended, it would still be true that millions of people and a whole area of strategic importance, which up to a few months ago the West was resolved to defend, have been handed over to the Communists. If, as is by no means impossible, the rest of Laos, Cambodia and Vietnam go the same way before long, then it will be a much worse defeat. The cork in the bottleneck has been at least loosened, and the security of everything that lies further down the line of thrust—of Siam, of Malaya, of Indonesia, of Australia—has been endangered. To say this is not to say that the agreements should not have been reached. There had been a long story of French bungling and the position was past redemption. No one had an alternative course to suggest—not even the Americans, unless they were willing to send a large army. M. Mendès-France and Mr Eden were right to make the best they could of a bad job, and they did it skilfully. But no one should be under any delusion that it was anything but a very bad job. Geneva was about as much a victory in the diplomatic field as Dunkirk in the military.

2. *Geneva does not prove that anything significant can be secured from the Communists by negotiation.* It was clear from study of the Communist press that the Russians certainly, and the Chinese probably, were ready to do a deal when the conference opened (see *The Economist*, May 1, 1954, page 352). Whenever they think the West is ready to give them something, they will always be ready to accept it across the conference table, giving fair words in return. To have this demonstrated does not prove anything about their willingness to make any real concessions for the sake of peace. It shows only that they prefer not to fight if they can get what they want without.

3. *What has happened in Indo-China does not prove that the neutralists in London, Paris and Delhi are right, or that the Americans are wrong. On the whole, it proves the opposite.* If the Communists, having got the French on the run, forbore from pressing their advantage home and swallowing the whole of Indo-China at once, one must ask why. Almost certainly there were two reasons. The first is that they were thinking of Europe; they are more interested in splitting the French off from Nato than in running them out of Asia. The second is that they were afraid the Americans might come into the fight and turn it into a real war—at best Korean, at worst thermo-nuclear. The first reason is a desire to exploit western political weakness; the second is respect for western military strength. In neither case has moderation, tolerance or willingness to compromise anything to do with the motives of the Communists. They reason in terms of power, and can be met only in terms of power. The Americans are not wrong; they are much more than half right.

★

These are the lessons, to be deduced from what has happened to Geneva, that somebody ought to be hammering home daily to the peoples of Western Europe. There are several equally obvious truisms about the situation in Europe that people will forget unless they are constantly repeated.

4. *The argument is not whether Germany shall be rearmed, but on which side of the iron curtain a rearmed Germany shall stand.* The fact that the argument is currently labelled "German rearmament," is, as Mr Attlee pointed out, itself evidence of a Communist propaganda victory. Nothing can now prevent the Germans from regaining their full sovereignty—which inevitably includes the right to bear arms—if not once, then within a few months. What western pol is aiming at is to ensure that the inevitably-to sovereign Germany shall, so far as possible, be mitted to the western and democratic side of the world struggle. That the Russians do not like understandable; what passes comprehension is anybody in the West can fail to want it. The Ge may or may not be sincere democrats; they may not be trustworthy. But in any event it is bett they be with us than against us.

5. *Germany cannot be neutralised.* The two reasons for this. The first is that nature a vacuum. The second is that if a "neutral" G were left free to play East and West off agair other, the Russians have so many colossal b their sleeves, such as the promise of unity,

restoration of the lost eastern territories, that they would probably win the auction.

6. *The mutual withdrawal of occupation forces from Germany sounds fine; but it is a trap.* It is highly unlikely that the Americans would withdraw from Germany without going home across the Atlantic. And it is highly unlikely that they would go home across the Atlantic and still remain ready to come back again when they were needed. The result would be to leave the Russians undisputed masters of Europe.

7. *Non-aggression pacts are also a trap,* since the only ones in which the Russians are interested (as they always carefully explain) are those that rule out "aggressive alliances"—a term which, on Russian lips, means Nato. A European non-aggression pact (which they are quite ready to call a "Locarno" if that would please Sir Winston Churchill and Mr Eden) is a proposal that the western alliance be dissolved while the Soviet empire—which could dispense with public treaties of alliance since it is held together by the iron bands of party and police—would remain as strong as ever.

8. *Whenever you depart from a policy of strength and firmness, you are, to that extent, trusting yourself to the other fellow's good intentions. And how can you trust the good intentions of a secretive police state?* This is really the hub of the whole matter. When a free country gives a promise, whether it be one of disarmament or of non-aggression, its own public opinion watches over the observance and gives warning of any intention to break it. But nobody can tell what a Communist government is up to or what it intends. This is the real answer to those who plead for a policy of mutual trust and friendship. There cannot be mutual trust without knowledge; and only the Communists themselves can open the way to knowledge, by unsealing their frontiers and allowing their peoples to move and speak freely. Until they do, there is no security for the West save in vigilance. The only co-existence that is likely to remain peaceful is one that is based on strength and unity.

This is the simple alphabet of security that Ministers, if they believe in the policy they are pursuing and do not want to see it broken down by the wanton and the wishful, should be preaching up and down the country. It is their duty to keep the country's head clear.

Agreement on Suez

THE Middle East this week is full of reasonableness. The British and Egyptian governments have initialled an agreement on British evacuation of the Suez Canal Zone and on new arrangements for Middle East defence. Almost simultaneously, the British and Saudi Arabian governments have agreed to arbitration about the oasis of Buraimi, title to which has been disputed between the Saudis and the British-protected sheikhdoms on the Persian Gulf coast. The second arrangement gives almost unqualified ground for satisfaction; it is described in more detail on page 355. The first, and much the more important, of the two, calls for more qualified approval. It must be welcomed because after eight years of abortive struggle it releases energies which both countries badly need for other purposes; on the other hand, even its warmest advocates must admit that it rests on untested foundations—notably, on the stability of Colonel Nasser's regime and on its capacity to make its servants do what it has undertaken to

•

The new Anglo-Egyptian agreement is of expected because, for months, only narrow differences have ated the two negotiating parties. Britain's under- that its troops will totally evacuate the zone twenty months is offset by Egypt's undertaking least seven years to help to maintain, and enable technicians employed by civilian contractors to n, installations that will be instantly reactivated vent of attack on any Arab state or on Turkey— on Iran. In a word, there has been concession points for which the British were holding out a ten-year treaty, a two-year evacuation term, the continued maintenance of certain highly technical military installations by British soldiers, and the inclusion of Iran in the terms for reactivation—and concession on only two points to which the Egyptians attached importance: they had sought fifteen months and not twenty as the evacuation period, and had been reluctant to commit themselves about an attack on Turkey. Yet the British negotiators thought this unbalance of sacrifice worth while; what were their grounds for thinking so?

Weighed in isolation, they may seem thin. Properly to assess their merits, they must be set against the alternative policies available. So long as there was no agreement, 80,000 British troops were pinned down in a base so tiny as to be by modern standards an anachronism. These troops were spending considerably more than half their energies on preserving their own security against the harassing tactics of an unwilling host country; and the site on which they were doing so was thought in terms of modern warfare and of the only likely attack upon the Middle East to be situated too far to the south. Thanks to the agreement, these effectives can provide the mobile strategic reserve which it is the present target of the British general staff both to build and to keep dispersed and in fighting trim.

Without the agreement, Egypt was virtually doomed to a social instability that suits only the Communists, since social stability is unattainable without large western investment, and no investor, and notably no important American investor, would enter into major commitments without first seeing a settlement on the Canal. Moreover, in the absence of an agreement, the

year 1956 would have been the end of the term of twenty years for which Britain's 1936 treaty of alliance with Egypt was to run unchanged. That treaty was self-renewable and therefore in the "permanent" class, but it was permanent only as regards Anglo-Egyptian alliance. A permanent alliance is not a synonym for a permanent base on foreign soil, and, after 1956, Egyptian appeals to the United Nations on the score of British trespass on Egyptian territory would have been inevitable, and almost inevitably successful. By the new agreement, which if completed this year will last at least until 1961, not only is this dispute avoided, but Egypt is also vested with proper responsibility for defending its own assets; and, once vested with self-respect, it is likely to become interested in wider defence plans.

From Colonel Nasser's point of view, the advantages of agreement are easy to enumerate. He brings to an end a 72-year occupation of Egypt's soil which educated Egyptians have for decades regarded as an intolerable slight on their capacity. He secures a promise of help in the event of attack; he opens the door to western investment; and by becoming a contributor, on conditions, to a western defence arrangement he opens up a prospect of better armament. While westerners tend to see this last point only in terms of regional defence, many Egyptians are bound to think primarily of its advantages in the struggle that really interests them—the struggle against Israel.

The agreement is only in outline and only initialled. Many weeks must pass before the lawyers finish drafting and negotiating its details, and during that time it will be manhandled by adversaries in both countries. Although Egypt derives such long-sought and patent advantages from it, Colonel Nasser's many personal adversaries both to left and to right are capable of shouting it down in order to promote his downfall. His main supporters, who are to be found in the officer corps of the army, will need to stand firm behind him if he is to see it through.

In Britain too the applecart could yet be upset. The volume of Conservative opposition to retreat from an old stand has been measured and is not decisive; but it could become so if reinforced by some Labour support on the ground that the agreement will create new dangers unless it is accompanied by Egyptian undertakings not to use against Israel weapons furnished for purposes of area defence. During a debate that is taking place as *The Economist* goes to press, the Tory "Suez Group" must decide whether a vote against the agreement can be given without falling victim to a Labour manœuvre to defeat the Government.

Settlement is not a foregone conclusion; but, if it fails, only confusion and new animosities can ensue. The main result to hope for is one in which an anti-Communist Egyptian government ceases to hamper, and begins to work with, the peoples who oppose Communist expansion.

Prickly Thistle

FOR the last two years a Royal Commission, with predominantly Scottish membership, has been reviewing "with reference to the financial, economic, administrative and other considerations involved, the arrangements for exercising the functions of Her Majesty's Government in relation to Scotland." Its report, for which Scottish nationalists have been sharpening their axes long in advance, was published this week (Cmd 9212. 4s.). It contains proposals for some mild administrative reforms, reminiscent of those that Liberal governments used to propose for Ireland in the nineteenth century—before the Liberal party began to support Home Rule and in between periods of Tory coercion. But it is not a report that is designed to prevent nationalist axes from swinging.

The commission does not deny that many grievances exist in Scotland, and that some at least are justified. It traces their primary source to the general growth of state control which, coupled with the decline of local government, has buried local initiative beneath the weight of a bureaucratic colossus centred on London. But the commission roundly and rightly attacks the myth of English economic exploitation. The Catto report had already demonstrated that Scotland takes more out of the national kitty for purely local expenditure than it pays into it. The present report shows that in most fields of Government activity, such as housing and health, Scotland has had at least its fair share of public expenditure in the last nine years. Clydeside has had since the war more financial aid from the Exchequer than any other development are Only in road transport does the commission think t a British Ministry has treated Scotland unfairly; even here it finds that the Ministry of Transport's is less fiscal iniquity (which is suspected but not pr than ignorance of Scotland's peculiar geography.

The report does not therefore recommend any r changes in Scotland's administrative arrangements the moment Scotland has separate departmen Agriculture, Education, Health, and Home Affairs, which come under the direct control of its Secret State; other Government business there is tran through regional offices of the British depart The commission believes that this division of re bility is sound. Scotland has its own distinctive of local government, education, and law; while

other fields, notably agriculture, conditions differ markedly north and south of the border. All these matters can reasonably be treated as Scotland's private concern. But departments dealing with economic matters, such as the Board of Trade and the Ministry of Labour, come in a different category. Administrative separation in these cases would fly in the face of the economic unity of Britain, and that would not be of advantage to Scottish industrial development. The principal changes that the commission recommends are that responsibility for roads, for the appointment of JPs, and a few minor matters should be transferred to the Scottish Secretary. In addition, the heads of regional offices of British departments should be given a more senior status and renamed Scottish Controllers—a description which (the report *insists*) should not debar Englishmen from these posts.

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These proposed palliatives are not reinforced when the commission turns to examine the present political machinery of Scotland, which it believes should be retained in its entirety. There are two real difficulties here, but they are not difficulties to which the commission could easily draw attention. In the first place, the present system turns on the position and personality of the Secretary of State, who administers the Scottish departments and acts as Scotland's spokesman in the Cabinet. Shuttling to and fro between London and Edinburgh, and handling an outsize administrative job, postwar Secretaries have not always been equal to the demands of their office. The Secretary's load is now lightened by the existence of an additional Minister of State for Scotland, but the commission rightly insists that the Secretary should retain his supremacy and exclusive right to speak for Scotland.

The second difficulty is that Scottish affairs do not at present get sufficient attention in Parliament. This is not primarily a defect of Parliamentary procedure. Scottish MPs, meeting in Scottish standing committee, are capable of sifting all the legislation that is put before them. But the Government has not the incentive (or perhaps the energy) to sponsor much special legislation r Scotland; and the ability of the Secretary of State interest his colleagues is inevitably limited.

hese problems are a burning issue in Scotland ; and it is therefore not surprising that the com- n itself apparently felt that its terms of reference, were not intended to include discussion of er Scotland should have a separate Parliament, equivalent to a charge to write about Hamlet t discussing the prince. Since many of the ses who came before them seemed unwilling to anything else, the members of the commission able to resist the temptation to visit Belfast and their own conclusions. They decided that no ity for progress lies down this road. The and administrative arrangements in Northern hey declare, have come into being "as a result of historical causes peculiar to that country." "However well adapted to conditions there" (and there seems at least a suggestion that the commissioners do not really believe that they are well adapted at all), these arrangements "would not further the special interests and needs of Scotland." Moreover, a substantial majority of the witnesses who appeared before the commission, representing a "broad cross-section of responsible Scottish opinion," agreed with this judgment; but the report recognises that it was not within the commission's duty to estimate the amount of popular support accorded to the conflicting views.

This, of course, is the kernel of the problem. It has not yet been within anybody's duty to measure the strength of this support; and the outside observer is left with the apparently conflicting facts that a very large segment of the Scottish adult population has signed various petitions in favour of Parliamentary devolution, but that most of those signatories themselves continue to vote for candidates who are opposed to it. At the last general election Scotland returned 35 members of the Labour Party, which is specifically opposed to Parliamentary devolution, and 35 members of the Conservative Party, which is instinctively opposed to it. It also returned one member of the Liberal Party, which supports devolution, but it has not sent a single Scottish Nationalist down to Westminster. This is a sign that the desire for devolution is not yet a dominating emotion in Scotland, in the sense that the ordinary Scot's involvement in the ordinary party battle is not overridden by his susceptibilities in this matter. But it is not a sign that the majority of Scots do not want more devolution than is recommended in this report; for what it is worth, the reactions of most shades of Scottish opinion to date suggest that they probably do.

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If they do want this, then it will be a pity if English politicians play any part in refusing to let them have it. Let it be granted that the Scots would almost certainly lose economically by a devolution that was pushed to the point of a separate Parliament; that all the traditional complaints that Scotland has a higher unemployment ratio, a greater backlog of housing needs, and a lower accumulation of productive capital equipment are really arguments in favour of the present system, which necessarily gives Scotland easier access than Ulster has to subventions or investment from England. Let it be granted that the covenanters' campaign is almost wholly based on emotion. But emotion is a factor that counts in politics, and it has always been surprising that Englishmen should conceive that they might have any material interest in running counter to any such tide. It should be left to the Scots to strike their own balance between their feeling and their thinking; meanwhile the Government should accept the recommendations in this report, but it will be very surprising indeed if it has yet heard Scotland's last shriek on this subject.

In Father's Footsteps?

DO children better themselves? There was a time when the question would have meant: does the dustman's daughter marry a duke? Today it means: can the dustman's son become a higher civil servant? For a person's social standing in the community is judged more and more by his occupation. It is on this assumption that Dr D. V. Glass and his colleagues in the London School of Economics have based a pioneer study of social mobility in Britain, which was published recently.

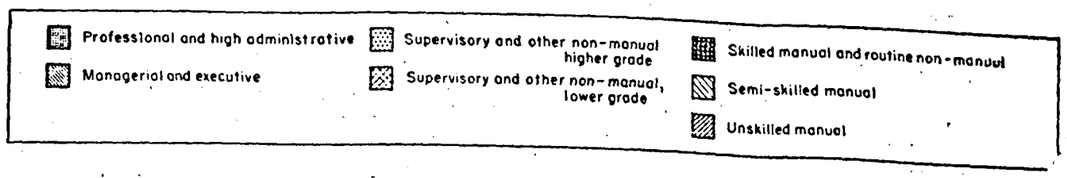
During a preliminary survey they found a wide measure of agreement in the public mind about the social importance of different jobs. They were, of course, fully aware that social status cannot be measured on a scale so simply as can, say, intelligence. Any attempt to measure it must be to some extent arbitrary, for it involves subjective as well as objective criteria. Nevertheless, they found themselves able to arrange occupations in a "hierarchy of social prestige" and split them into seven broad groups. In the middle of the scale, 41 per cent of adult men in Britain were allocated to a large upper working class group, comprising skilled manual workers and routine non-manual workers. The remainder were divided into almost equal parts, with four middle or upper classes above the centre group and two working classes below it. The first chart below shows the comparative size of these groups.

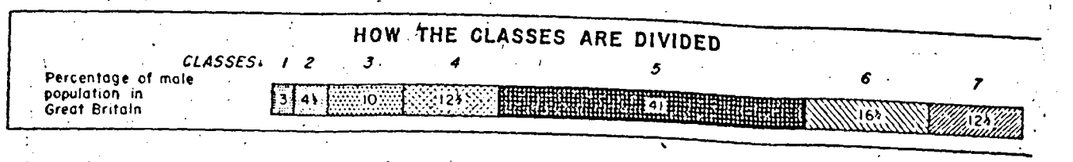
This social classification was based on the findings of a sample inquiry undertaken by the Government's Social Survey. But the purpose of the study was not to determine how many men should be put into each social group. It was to estimate how much movement takes place up and down the scale and from one generation to another. The results can be summarised with rough tidiness. In the sample as a whole approximately one third of all sons stayed in the same class as their fathers, approximately one third moved down, and just under one third moved up. This suggests that there is a greater degree of social flexibility in Britain than in some other European countries—for example, France and Italy.

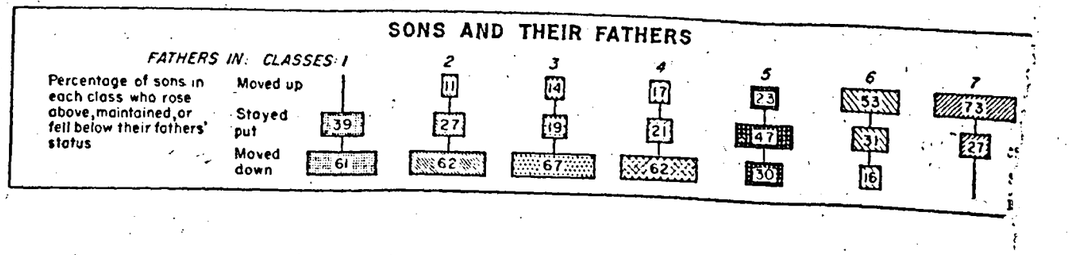
These approximations necessarily mask considerable variations between the groups. As the chart shows, in each of the four middle or upper classes between 61 and 67 per cent of all sons failed to do as well for themselves as their fathers had done; while among unskilled and semi-skilled manual workers respectively 73 and 53 per cent of all sons did better than their fathers. The higher one starts, the harder it is to rise and the easier to fall—which is not very surprising. One of the most significant findings of the study, however, is that 39 per cent of the sons of "professional and high administrative" men (Class I) managed to follow their fathers to the top of the ladder; the direct influence of a father's position on his son's career seems greater in this class than in any other. But the even higher proportion of upper working class (Class 5) sons who followed in their father's footsteps is not so significant as it looks, for the huge size of this group makes the bare figures misleading. It is, in fact, easier to climb or drop into this class than into any of the others. Dr Glass describes it as a valley, with more rigid classes on either side—especially the classes above it.

Perhaps the most interesting chapters in the book

The Seven Classes

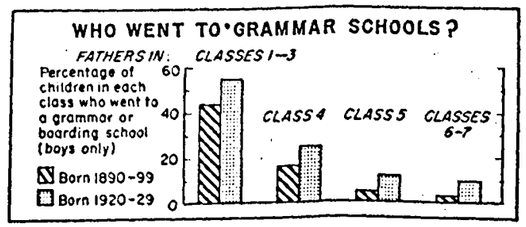






discuss the relation between education and social status. They are interesting not only because education is one of the main factors determining social status, but also because of the present controversies about the future of the independent schools, the tripartite system of education in the national schools and the method of selecting children for each type. The study found that, before the 1944 Education Act, social origins and education tended to reinforce each other, producing a close connection between the social status of father and son—especially for the higher groups. But although education was found to be a powerful factor in the achievement of higher social standing, it was certainly not the only one; the survey found that men with a university education and high social origins were more likely to go up the ladder than others with a comparable education born in a lower group. Perhaps this means that manners—or rather the manner—made man; or perhaps it means that nepotism still counts.

Children born in 1920-29 had a much greater chance of a grammar school education than those born in 1890-99; for the children of unskilled workers the



chances increased fourfold, but for the middle classes (Classes 1-3) chances had improved by only one-fifth. The chart on this page shows the improvement in chances for all classes in this period. Since then, the 1944 Act has given all children a much better chance of grammar school education; but a local investigation made in Hertfordshire in 1952, whose findings are included in this study, confirms what is already well known: that the number of parents who would prefer their children to go to a grammar school is still far greater than the existing number of grammar school places. Parents know, and so do their children, that it is grammar school education that gives a child the best chance of moving up the social ladder. Conversely, when children of parents in the higher social classes are refused a grammar school place, it does not necessarily mean that they are being refused an education for which they are unsuited and given one to match their abilities; it also means that they are being forced down the social scale.

This is really the crux of the matter. If society in general is to be really fluid, there has to be movement down the scale as well as up it. It is anxiety to prevent this happening to his own children that prompts so many a middle-class father to buy for them, at considerable personal sacrifice, the education that they hope to obtain from the state. But need it happen? Let it be granted that all children cannot better themselves. Need they worsen themselves in the eyes of the community simply because they have not the abilities, or the opportunities, their fathers had? Moreover, are we quite sure that perfect mobility is wholly desirable? It is one thing to ensure that brilliance gets its chance. But it may not be in the best interests of society if certain characteristics—ruthlessness and love of power—that often accompany a quick moving up the scale were to become too prominent among the new elite.

Some of these questions are asked, but only briefly answered, by Dr Glass. What is clear is that the rigidity in the social structure that is shown by this survey, with social origins conditioning the type of education received and with both affecting the social level reached, is sagging. Thanks to the 1944 Education Act, natural ability, or measured intelligence, will play an increasingly more important part than social origin. The problem is how to prevent this from creating an anxiety neurosis among those who fail to reach the upper rungs of the new educational ladder—a neurosis that could be as damaging to society as the frustrated ambitions of those whose path was blocked in the past.

*The book discussed in this article is "Social Mobility in Britain." Edited by D. V. Glass. *Routledge and Kegan Paul.* 412 pages. 36s.

Beer and Crime

Before beer shops were allowed, the public houses were the exclusive resorts of [the] loose classes. Since beer shops were authorised, these have chiefly become the home of the depraved. Now beer shops receive much of the vituperation formerly heaped on public houses. Only a few years ago, the beer shop system was much praised. The law establishing it was the only great measure . . . passed in one session, and now the Committee say this system is a failure. . . . Thus the good intentions of the Legislature to serve the people, and provide them with wholesome drink and prevent drunkenness, have not been realised. As much ardent spirits are consumed as ever; as much as ever is drunkenness the cause of crimes; as much as ever are places of resort for drink places of disorder, places where criminals meet and concoct their plans, and places where those must live who have no other homes. It is stated on high authority, there always shall be poor in the land. It seems highly probable, too, that there always will be criminals in the land, and it is rather a good thing than otherwise that the rest of society knows their haunts. It is better that they should have some places of common resort than be dispersed through the whole society. Public houses are by their very name and nature open to the police as to other persons; and to have inspectors of them . . . is one step probably to acquire a knowledge of what legislation actually can do to prevent moral disorders in them. Certainly there is no generally prevalent opinion more wholly unfounded, or which causes more labour in vain, than the opinion that legislation can by its fiats charm evil out of society. . . . Certainly crime, like poverty, though we are impelled to try and lessen both, is for ever rife as if it were an essential part of society in its present condition.

The Economist

July 29, 1854

Notes of the Week

No New Order

To a government needing a blood transfusion, Sir Winston Churchill has given a liver pill. His new appointments are unexceptionable in themselves, but they do no more than fill the gaps created by the resignations of Sir Thomas Dugdale and Mr Oliver Lyttelton. As had been expected, Mr Lennox Boyd returns to take charge of the Colonial Office, where he had earlier made his mark as a junior minister; it is a strange commentary on the squabbles of nine months ago to be able to say that one of his main tasks will be to gain the confidence of African leaders as fully as his predecessor has recently done. Mr Heathcoat Amory takes over at the Ministry of Agriculture; promotion to this hot seat is his penalty for proved charm and departmental ability. The other changes raise men of clear promise or achievement to posts of minor responsibility, even though some surprise has been expressed at the choice of the ex-soldier, Mr Low, for the role of trade crusader in a businessman's government. Even as the new names were announced, Sir Lionel Heald announced his impending resignation as Attorney-General, other departures are expected soon, and Sir Winston Churchill's supporters are already looking impatiently towards another reshuffle.

These changes, however, do nothing to overcome the basic faults in the structure of the Government; once again Sir Winston has been led up to the fence only to shy from it at the last moment. Effective leadership in domestic policy and in the Commons cannot be provided if every new point has to be referred to a Cabinet presided over by a man preoccupied with world problems. Sir Winston should appoint a leader with power to act on his own initiative, and with the prestige and authority to command the respect of the Opposition and the support of his own side. Only three men could do this—Mr Eden, Mr Butler and Mr Macmillan. Mr Eden, in view of his eventual destiny, would obviously be the best of all; but if he does not wish to leave the Foreign Office, and Mr Butler cannot be spared from the Treasury, then Mr Macmillan could now surely be set free from building all those houses.

Bull by the Horns

MR EDEN has grasped his bull by the horns; but Mr Attlee is still going with his to China. That seems to be the main import of the confusing happenings of Parliament's last week before the recess. Mr Eden's grasp may be nervous and insecure, but there can be little doubt that he was wise to hurry forward the initialling of the Suez agreement before Parliament broke up. The Tory rebels have seemed discomfited by the need to blow off some of their steam in a hurry; if they had bottled it up all through the summer, the pressures on general Tory policy—and speculation about what would happen when Parliament returns—would have been even greater than they are now. The debate on Suez is in progress as this issue of *The Economist* goes to press, and it is still not known whether there will be a vote or who may participate in it; the Government may emerge looking slightly bloody, but at least it has shown its backbenchers that on important issues it will not be bowed.

Meanwhile the Labour party has reacted to the end-of-term atmosphere by another show of eagerness to avoid a clash of personalities, although the clash of policies still resounds. At Wednesday's meeting of the National Executive there was some discussion of the propriety of Mr Bevan's recent pamphlet on the "alternative to German rearmament"; some members were particularly indignant at his revelation that some of his faction had previously voted for the "Attlee conditions" (which they now claim have not been fulfilled) merely out of a hypocritical desire to delay something that they did not want. The party leaders, however, apparently did their successful best to damp down recriminations and embarrassment, and no action has been taken. While this meeting was in progress, the general council of the Trade Union Congress were voting by 23 to 6 to support a German defence contribution within EDC or some other effective system of collective security. They seem likely to be able to carry this policy at the forthcoming annual congress at Brighton; but the prospects of a similar success at the Labour party's conference at Scarborough have, if anything, grown slightly less hopeful in the last few weeks.

Co-existing with Migs

THE language of Communist governments bears relation to reality. The irresponsible killing of women and children in a clearly marked British ai on its regular mail route over the open sea is desc by Peking as a "regrettable accident." When Am aircraft were ordered to the area to search for sur this was a "shameless act of aggression against the C people." Even in London, some people seem t bifocals through which unprovoked and inexcusable appear the most natural thing in the world if car by Chinese, and self-defence highly sinister if car by Americans. In the House of Commons on a wave of anti-American criticism was on the breaking when Mr Eden stilled it with a dramat

tion. The Foreign Secretary said that, after the British airliner was attacked, Hongkong notified the Chinese authorities that search aircraft would be sent out, and got the curt reply that they would be fired on without warning if they approached land.

Against that background, it is difficult to see on what grounds the American action can be criticised. Wild and foolish words were certainly uttered in Washington when the news arrived that six Americans who had been in the British airliner were missing, killed or wounded; but words are one thing and action another. The same principle applies to the Chinese. It is a pleasant surprise nowadays to get any apology at all from a totalitarian government; but it would be pleasanter still if there were not such obvious political motives for Peking's politeness to Britain at this particular moment.

Only a few weeks ago, a Belgian aircraft crossing Austria with the singularly unprovocative mission of delivering British pigs to Jugoslavia was fired on by Soviet fighters and its pilot was killed. No satisfaction was offered to the Belgians; was that simply because they were not important enough, in Russian eyes, to be worth placating, or because Mr Molotov was not then engaged in mounting a skilful *détente*? It would be naïve to imagine that this week's apology from Peking, wrapped up as it was in familiar anti-American propaganda, was anything but a tactic of the immediate moment. "Peaceful coexistence" will remain a mockery until civilian aircraft are able to go safely about their peaceful business near the frontiers of the Communist world. Until then, one may be excused for looking askance at anyone in this country who, while finding excuses for those who shoot down British airliners, hastens to attack those who come swiftly and gallantly to the rescue of the survivors.

Mr Rhee Runs Amuck

MR SYNGMAN RHEE is a sincere patriot, a legendary figure in the grim tale of his country's struggle for freedom, a veteran politician and a man of great courage. He is also, to put it bluntly, a menace; a menace to peace, to Korea's allies, and to Korea itself. Nothing less strong can be said of a man who, when speaking as a distinguished guest of the United States Congress, judges the occasion right to call for a war to restore Chiang Kai-shek to power in China.

It is possible to sympathise with the South Korean esident's anguish over the continued division of his own untry. It is impossible to condone his gross abuse of erican hospitality. His kind of talk doubtless delights, ugh for different reasons, both the China lobbies—the in Washington, and the Bevanite one in this country, r anxious to find new evidence of American jingoism. such words, spoken from such a platform, must do ld damage to the cause of the free world. It is a main is of Communist propaganda that the United States other nations fought in Korea not to save a small from aggression, but as a first step towards an on of China. Mr Rhee implicitly endorses this Com- distortion; and by so doing he not only gravely sses Korea's truest friends, but also makes it ely difficult to preserve the unity among free nations to which his people owe their survival in freedom, and on which they may need to rely again.

Unfinished Business

PARLIAMENT is adjourning for the eleven-week summer recess with an unusually large load of unfinished business on its hands. Normally Ministers aim to leave themselves a fortnight at the end of October in which to clear up the odds and ends left over after the recess, and then to start the new session on the first Tuesday in November. This year, however, the timetable has got out of hand; when Parliament reassembles on October 19th there will still be another five or six weeks' work ahead before the present session can be ended. This means that the next session cannot start until the end of November at the earliest.

The Government cannot, as in previous years, claim that special factors such as the Coronation or the late King's death have upset its plans. In most respects this has been one of the most normal sessions since the war. The sole reason for the present clutter is that the Government has tried to cram into the legislative machine more than it can digest in a session of normal length. Although the Rents and Television Bills have been the only measures to attract much public attention, Parliament has also had to deal with Bills covering such complicated subjects as mining law, town and country planning and leasehold reform, with Scottish counterparts in the last two cases. In addition, there have been Bills to set up the new Atomic Energy Authority and to revive the Liverpool Cotton Exchange, together with the usual flock of minor measures. In all, 63 Government Bills have been introduced, of which two have been withdrawn and one (Teachers' Superannuation) has been shelved.

At the end of this week twelve of the Government's Bills are still left in the pipeline. As should have been foreseen months ago, the main jam has developed in the House of Lords; despite an unprecedented number of sittings after dinner, the peers have still to deal with the Mines and Quarries Bill and the two Town and Country Planning Bills. The Commons has eight Bills on its plate, most of them fairly modest. But the Food and Drugs Bill and its Scottish counterpart will both need some time in Committee, while the Overseas Resources Development Bill (which is to write the final act in the farce of the groundnut scheme) has not even been given a second reading. To this legislative business left for the autumn will have to be added the two annual debates on nationalised industries, at least one debate on the railway reorganisation plan and presumably at least one debate on foreign affairs.

Next Year's Programme

THE extension of the present session by three or four weeks would not be of much importance were it not bound to influence the length and timing of the next one. There is nothing sacrosanct about the length of

a session; ordinary annual sessions since the war have varied in length from 155 days to 212. But the elasticity of Parliament's work is limited by certain immutable factors—the debate on the Queen's Speech, the Budget and Finance Bill, the Appropriation and Consolidated Fund Bills, the 26 Supply Days and Private Members' time. In addition, a government must periodically find time for special debates on such subjects as defence, foreign affairs, Welsh and Scottish affairs, the nationalised industries, colonial problems, reports of select committees and Crichel Downs. So far in the present session these special debates have taken up 18 days, the fixed items 73 and Government legislation 68.

Such flexibility as exists in a session, therefore, exists largely in the time available for government legislation. If the Government, while starting the next session three weeks late, wants to end it at the usual time—as it will do if it is aiming at an election in the autumn of 1955—then the three weeks cut must come from the time available for its own Bills. Such a loss would leave the Government's supporters dry-eyed; Tory backbenchers now take the disillusioned view that most Bills lose more friends than they gain, and they are not at all enthusiastic about tackling such complicated matters as local government reform so late in this Parliament.

The most immediate problem for the Government's timetable seems to be when it can introduce its legislation to increase pensions. With the reports of the Government Actuary and the Phillips Committee not due until November, the Government will probably be able to do no more before Christmas than announce its plans. But pledges have been thrown around the constituencies like confetti and the Government may want to bring forward the necessary legislation before Christmas, too. One way to fit this in would be to allow the present session to run on until Christmas. When Mr Attlee did this in 1949 he declared an election in the recess. Some members are already speculating nervously about the chances of history being repeated, but the Government seems in no hurry; before it goes to the country it wants the pensioners to feel the increase in their pockets, and that cannot be until well into next year.

Civil Defence at a Price

THE commission of three appointed by the Home Secretary to take over Coventry's civil defence seems to have found itself metaphorically as well as literally in that city. Apart from a hostile reception from the Labour councillors who have abrogated their responsibilities, the commission can expect a none too cordial welcome from the local population. The Labour councillors who abrogated their responsibilities now refuse to co-operate with the commission by making available their officers, premises and equipment. This is a retaliation because the new system—or rather the councillors' H-bomb arrogance that has made it necessary—is likely to cost ratepayers dear.

Under the terms of the Civil Defence Act the Home Office makes a grant equal to three-quarters of the cost of civil defence organised by local authorities; but if it has to take over the job itself it can present the local authority with the whole bill. It is estimated in Coventry that the extra cost will be about £15,000, or the equivalent of a rate increase of about 2d. in the pound. The council has refused any co-operation until it is given this grant. But despite this, and whether or not any effective civil defence can now be carried on in the city, the Home Secretary's action has certainly been the right one—and he should not yield meekly to this unpleasantness. A firm stand now may deter other authorities who have been tempted to follow the same path.

No Help from Molotov

MOLOTOV'S latest diplomatic effort was clearly aimed at France; but if his intention was to delay or influence the forthcoming parliamentary battle over EDC, the shot was not very well directed. M. Mendès-France might well have welcomed a Soviet opening which would have allowed him to by-pass the stiffest obstacles that face his governmental coalition; but the opening would have had to be attractive enough to enable him to persuade all France's allies to keep him company. The Soviet invitation, however, did not visibly differ from its unsuccessful predecessor, and it disappointed even some of the most convinced partisans of a Four-Power meeting. Hence the Soviet Note evoked little echo in Paris. The opponents of yet another conference have merely found in it a confirmation of their feeling that Geneva has changed nothing in the European situation; while those who favour new international talks over Germany before the French parliament is asked to pronounce on the matter could find no new weapon in Molotov's arsenal.

M. Mendès-France, having inherited the seemingly insoluble EDC problem which has puzzled so many preceding governments, apparently still intends to solve it during August. Nobody knows in what manner he expects to cut the Gordian knot that grips French politics; busy with his economic programme and with Tunisia, M. Mendès-France has not judged it opportune to show his hand in advance. There are, however, indications that he no longer puts much hope in the search for a compromise. The negotiations between followers and opponents of the treaty show no sign of producing any concrete results. Thus the French premier is unlikely to present the other signatories of the treaty with any magic formula for which he could seek their approval.

He may, therefore, be left with no alternative but to face the National Assembly with the treaty in roughly its present form and ask it to give its verdict. Yet it is to be wondered whether even the premier's strict neutrality i the debate would be enough to prevent his governme from bursting asunder; the "Europeans" will press hi to back the ratification, while the Gaullists pull in t opposite direction. Already the European question is pr venting M. Mendès-France from widening his coalitic He wants the Socialists in and has consulted them ab his economic programme, but while the Socialist "rebe welcome him as a "neutral" over EDC, the ortho secretary of the party, M. Guy Mollet, mistrusts premier's European intentions. When the problen Germany is raised in the cabinet, M. Mendès-Franc think nostalgically of the relatively mild wrangles Geneva conference table.

Cuts in Strategic Controls

IT was with relief as well as satisfaction that the President of the Board of Trade was able to announce to the House of Commons on Monday a relaxation of the controls on exports of strategic goods to the Soviet bloc, for he was thus able to redeem, although somewhat tardily, his rash promise of last March. The cuts appear far-reaching: the embargo list will from August 16th be reduced from 250 to 170 items, and the quantitative control list slashed from 90 to 20 items, while a further 60 items will be kept under surveillance on the "watch" list. Simultaneously steps will be taken to improve the machinery of control. Trans-shipment controls formerly operated by only a few countries will be extended to all sixteen countries participating in the system, and Britain has agreed to introduce shortly some form of merchandising control, the exact nature of which has not yet been disclosed.

Until the full details of the items taken off the lists are known it is impossible to say with certainty whether the relaxation matches the Prime Minister's call for sweeping changes; but on the evidence available it looks as though the British point of view has prevailed. It remains now to be seen whether in fact much commercial gain will follow; but it is improbable that it will measure up to the optimistic estimates of the Board of Trade. Nor should anyone cherish the illusion that the Russian propagandists and those who sing their tune in this country have had their fill; they will go on niggling away until—if they have their way—there are no controls left whatsoever. Having taken such a large bite out of the system, and having done some useful tidying up, the Government should now resolve to move extremely cautiously in any future changes, for the point where security is directly endangered is close at hand.

A great opportunity has been cast aside by the hesitating and piecemeal approach to this operation, for the West's concessions might well have been used to extract concessions in other directions from the Soviet bloc. But even though the chance has been missed, it is not too late for some people in Britain to readjust some of their uncharitable judgments on the Americans. As usual, Mr Stassen has proved accommodating and amenable to persuasion. No one will envy him the job of defending these proposals with Congress in its present mood.

The Unfortunate Case of Dr John

THE defection of Dr Otto John to East Berlin is a blow, even if he divulges no secrets to the Communists. It also symptomatic of the confusion of mind in which anti-zis in a divided Germany are increasingly finding themves. Dr John was probably influenced by the fear that personally was sure to lose his post as head of the Office Protection of the Constitution when Germany regained rmy and independence. He had helped the British duri g ar, after taking part in the plot against Hitler, and he ot been noted for efficiency. The last occasion among on which his office had been under fire was an anti-unist drive, in which a number of men were arrested founded suspicion.

Dr John may therefore have had personal reasons for his action. But his fears are shared by most convinced anti-Nazis and cannot be dismissed. The danger does not lie in a restoration of pure Hitlerism. It is significant of the weakness of the diehard politicians that only 6 votes out of more than 900 were cast for Admiral Dönitz in the recent presidential election which overwhelmingly returned the liberal Professor Heuss. But Dr John and those who think like him were more justly fearful of the result, in a state where so many posts have had to be filled by former Nazi party members, if a national army is set up and nationalist politicians come to the fore.

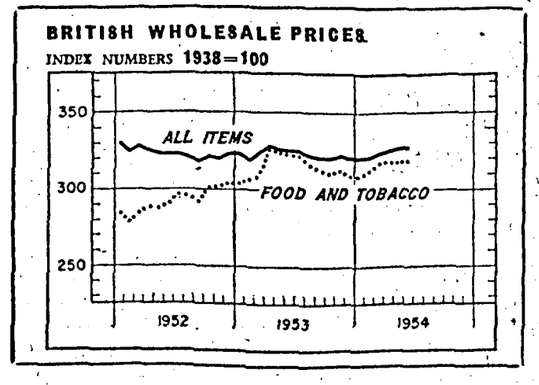
Many anti-Nazis will in future be confused by the fact that Communists are voicing the same fears and that Mr Molotov is proposing a way out which would neutralise and unite Germany. After all, for a German to go to East Berlin means, unless he realises that he is passing from one world to another, only driving into the next street; and the Russians, as an article on page 369 shows, are increasingly smoothing out the superficial signs of division.

It is ironic that Dr John's move, intended as a blow to the nationalists and neo-Nazis, will probably have the opposite effect. It will help the extreme right to discredit the British and those who helped them. It will encourage those who would like to start a McCarthyite campaign in which anti-Nazis would be denounced as "Reds." And it is one more blow to Dr Adenauer's foreign policy.

Schools Below the Minimum?

IN the report stage of the debate on the education estimates this week the Minister of Education was attacked on lines with which she is already familiar through the complaints of the Association of Education Committees. Her Labour critics claimed that the volume of school building is not sufficient even to carry out the meagre policy laid down in Circular 245. This circular limited school building to what is needed to accommodate the extra children who are flooding into the schools as a result of past bulges in the birth race—with nothing to spare to replace slum schools, to relieve overcrowding, or to reorganise all-age schools (in which secondary education is sometimes little more than nominal).

The case against the Minister rested on evidence that she has drastically scaled down the programmes that have



so far been presented to her by local authorities. Seventy-five authorities, which together had asked for £42 million for building during the coming year, have been allowed only £24 million. Miss Horsbrugh was accused of arbitrarily keeping total expenditure on school building to a predetermined figure of £45 million, regardless of local authorities' own views of their minimum needs. The Minister answered these criticisms by saying that it would be wrong to add together the separate local programmes and to assume that this was the minimum necessary to carry out her policy; it is common practice for local authorities, who have now grown used to expecting cuts, to ask for more than they strictly need. Miss Horsbrugh said that 85,000 places were now under construction to cope with the 80,000 extra children who will enter primary schools by the end of 1957. But, as the bulge in age groups moves on, the main problem will be to find enough places in the secondary schools; and, surprisingly, Miss Horsbrugh gave no figures here. The number of secondary school places now under construction is 214,000, but as many more again will have to be started between now and the spring of 1956 if the increase of 364,000 children in the secondary schools is to be accommodated by the end of 1957. The crucial question is therefore, how many places has the Minister "programmed"? This she did not reveal. The case against her is by no means proved, but she has not established her innocence.

Copper Workers' Colour Bar

THE breakdown of negotiations for giving Africans a better deal on the Rhodesian copperbelt is a serious matter, and not least for the European union which has largely caused it. In the negotiations, which have been dragging on for over a year, the mining companies had proposed that a limited number of Africans should be given a chance to prove their worth in jobs previously reserved for Europeans. Although the European workers were to be given a firm guarantee that their present rights and conditions of work would be respected, their union has rejected the scheme—by standing pat on its formula of equal pay for equal work.

This formula, though an axiom of British trade union practice, is a euphemism for an industrial colour bar on the copperbelt. The Europeans who first went to Northern Rhodesia to set the mines in motion expected, and received, expatriate standards of pay. They are among the most highly remunerated workers in the world, and the best paid African gets only a small fraction of their wages. It would upset the whole structure of African society if African miners were to leap suddenly on to European scales; and in practice the Europeans would not tolerate it. The European case is further undermined by the fact that, only a few miles across the border of the Belgian Congo, Africans are getting good pay for jobs which Africans in Rhodesia are still considered incapable of holding.

This breakdown may have had one good result. At long last the Northern Rhodesian government is being involved, after years of timidly sitting in the wings. A board of inquiry has been set up to investigate the reasons that prevent African advancement, and to make recommendations that will take "the well-being of the federation and Northern Rhodesia" into account. The well-being of the federation—and of the doctrine of partnership—should allow it to return only one answer.

Luxemburg Frees Special Steels

THE High Authority of the European Coal and Steel Community has set tomorrow, August 1st, as the date for the coming into force of the common market for special steels. With the elimination of national barriers to the interchange of these, which are mostly alloy steels, action has now been taken on all the commodities (coal, coke, iron ore, scrap and common steel are the others) covered by the treaty establishing the Community. There is still much to be done in harmonizing freight rates, in eliminating distortions in transportation charges, and in freeing the market from the artificial restraints of restrictive agreements before the Community will have a genuinely common market; and there is the additional need to raise productivity in the Belgian coalmines and in the Italian steel mills so that they will no longer require the special measures provided for them during the transitional period. But the important fact remains that, for all the commodities covered by the treaty, what were six national markets are now legally one; and any deviations from the basic rules of the common market will require express sanction.

Although the opening of the common market for special steels, originally planned for May, was twice put off, the delay will have been justified if, as seems virtually certain as *The Economist* goes to press, the common market can now be opened without recourse to special protection for the French industry. Section 29 of the transitional provisions appended to the treaty provides that the High Authority, after consulting the Consultative Committee and the Council of Ministers, may institute precautionary measures, such as fixing prices or setting quotas, to prevent extreme dislocations at the time of the opening of the common market. At the request of France the desirability of taking action under Section 29 was thoroughly considered. Happily, the Authority, the Committee and the Council, which met in Luxemburg earlier this week, were agreed that no action was required at present, although the situation will be kept under close review and future action is not ruled out.

The High Authority's practice of testing the ground carefully before stepping has also been rewarded by an important decision on the part of the French. Special steels, like a number of other products, have, for several months been subject to new French import taxes amounting to some 15 per cent by value. These import taxes are quite clearly contrary to the spirit of the OEEC trade liberalisation rules and they would also seem to violate the rules either of GATT or of the IMF, depending on whether they are viewed as an alternative to tariffs or to currency devaluation. Indeed, although M. Faure, who was called upon to explain this to the OEEC Council in May, was doubtless made to feel uncomfortable, the import taxes have remained. Now the French have agreed that, with the coming into force of the common market, the tax will no longer be collected on special steels imported from the other countries in

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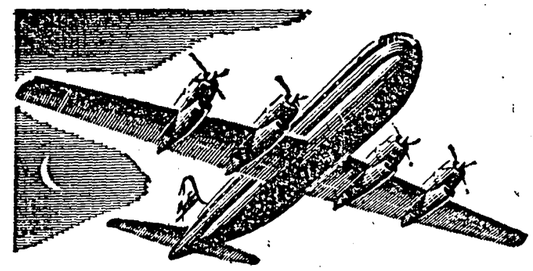
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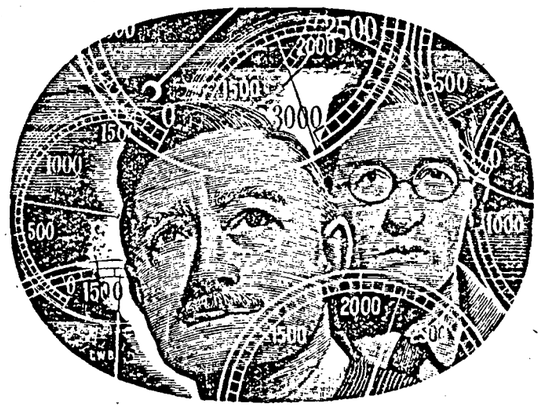


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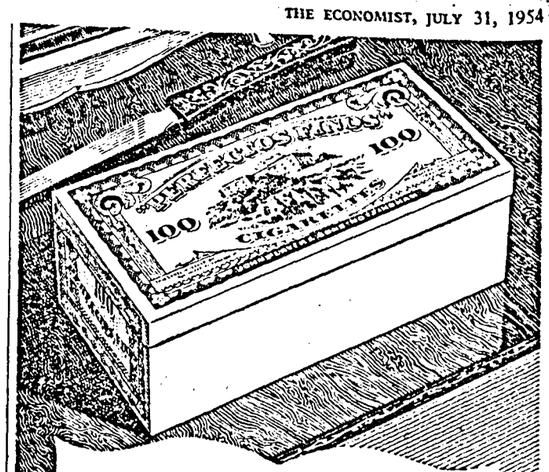
Pressure Product

IN 1939 I.C.I. began the works-scale production of a new plastic that was to play a major role in defeating Hitler's air armada. The plastic was polythene, the white, tough, flexible material that provided the high-frequency insulation in almost every wartime radar set. Without polythene, the Allied land and sea radar systems could not have developed as they did — let alone airborne radar. No other material could supply the combination of insulating and mechanical properties that airborne radar needed. Polythene's discovery in 1933 was the result of research on the effect of extreme pressure on chemical reactions. It was pure research, inasmuch as it was aimed primarily at the acquisition of scientific knowledge. But it yielded polythene.

Making polythene in large quantities was a difficult task. Ethylene gas had to be heated at pressures similar to those produced in a 15-inch naval gun. Such pressures were greater than had ever been used in chemical plant before. The first experimental safety-valve blew the skylights out of the laboratory, while a gauge- or pipe-burst was not uncommon. But by September, 1939, the Research Team handed the world's first polythene plant over to the works in time to meet the wartime needs of radar. Today, this unusual plastic is doing its unique job as high-frequency insulator in many branches of the growing electronics industries — in radio and television; in radar and electronic control equipment; and in undersea cables — but it has also been found ideal for many other uses, from cold-water tubing to packaging film — of which hundreds of miles are produced each week.

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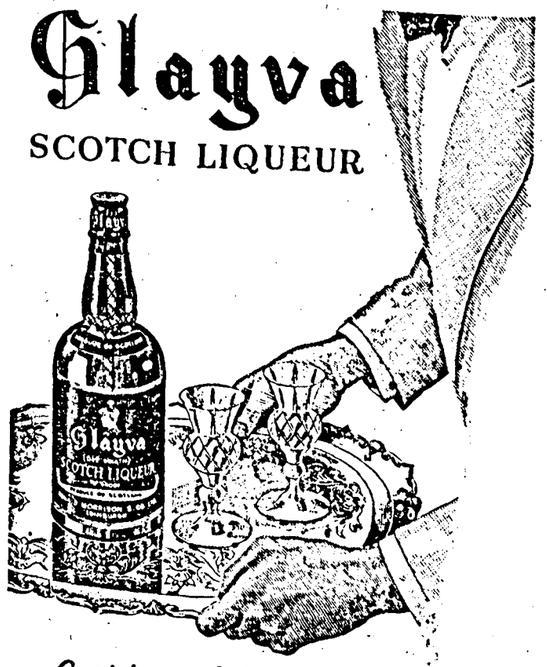
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Community. Although the general problem of the import tax remains, it is of first importance to the future of the Community that the authority of the treaty has been recognised, and that it has prevailed without being openly challenged.

Overlords in Argentina

LAST May Day, General Perón drew applause from those of his followers who are increasingly anxious about public expenditure by promising a drastic cut in the size of his cabinet. But, like other heads of governments, he has found that ministerial salaries are not easily saved. The "cut," when finally announced last week, did reduce the nominal number of ministries from 21 to 16; but this was accompanied by the appointment of four "Secretaries of the Executive," in other words, "overlords" respectively concerned with defence, economic, technical, and political affairs. With the president, these now constitute an inner cabinet of only five men.

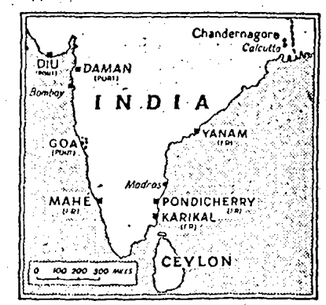
This reorganisation is easily interpreted as a move to the political right. Three of the new cabal of five are military men: the president himself; General Sosa Molina, the defence secretary; and Admiral Teisaire, the vice-president, who now becomes the political overlord. Dr Mende, the technical secretary, is best known for his skilful public relations work, including the production of whatever statistics best suit the occasion; and the economic secretary, Dr Gomez Morales, has already presided over many discreet but forceful shifts away from the régime's earlier policy of placating labour at all costs. Through him, the new officially blessed employers' federation is represented in the inner cabinet; the once all-powerful labour federation (CGT) is not. Indeed, the most notable absentee from the inner cabinet is the Minister of the Interior, Señor Borlenghi, a CGT stalwart who only a few months ago was widely regarded as a strong candidate for the presidential succession, and a dangerous one because of his left-wing views.

Pockets of Trouble

INDIA's dispute with Portugal has flared up, in marked contrast to Mr Nehru's statement last week-end to the ngress Committee that he hoped the question of the ch settlements would soon be amicably settled. iously more Indian irritation had been concentrated ist the French than against the Portuguese, and this ibuted to the misunderstandings between Delhi and over Indo-China. Lately, however, the anxiety of the French and Indian governments to reach a satisy agreement on the settlements has run parallel with tcellent impression created in India by M. Mendès-'s behaviour at Geneva.

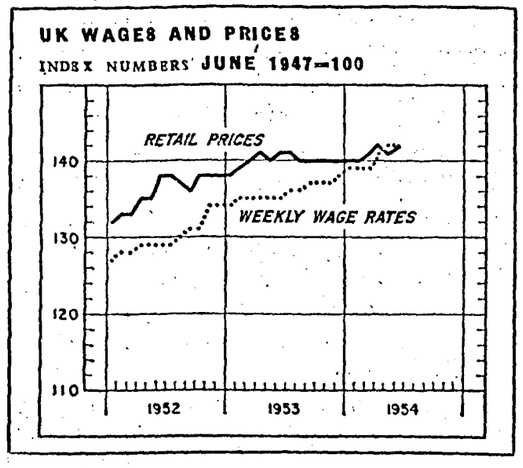
question of these little European enclaves in the sub-continent has a power to fan the flames of racial ut of all proportion to its scale. In the case of h, both parties now agree in principle to the f the four remaining settlements to India, subject oncurrence of their inhabitants; Chandernagore was handed over after a plebiscite in 1949, but there is still much disagreement about the transition. Is there to be a direct referendum? How and in what order are administrative functions to be handed over? There is some difference between Pondicherry and the other three owing to their size; in each case, local Indian movements have occupied some of the French villages, rather on the lines of a sit-down strike, but in Pondicherry there is a more solid lump of French territory. All, however, are likely to be formally transferred before very long.

The case of the Portuguese territories, Goa, Diu and Daman, is more explosive. Portugal has again warned India this week that it will not yield up its ancient possessions, and that Delhi will be held responsible for any aggression against them, whether overt or disguised as a "spontaneous" local movement. In these circumstances, riling though it may be to have pockets of aliens in Indian territory, Delhi will have to move with discretion; as the keeper of the Asian conscience, it cannot profitably play too much power politics à la Kashmir.



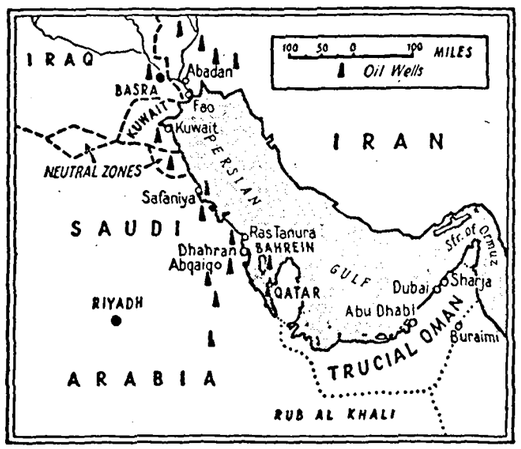
Compromise in Arabia

BY a coincidence, the House of Commons learnt of the settlement of two Middle Eastern quarrels on the same day this week—the Suez dispute, and the Anglo-Saudi difference over the oasis of Buraimi in Arabia. The second quarrel was potentially troublesome because of the suspected presence of oil in the region of undefined boundaries in which Buraimi lies. Claims to its eight villages and the empty area round about it are now to be settled through



arbitration by a panel consisting of a Briton, a Saudi and three neutral adjudicators. Two years of inflammatory stories about shootings, "blockade," and "requests for assistance against aggression" are over; although they affected only tiny handfuls of people on the spot, they served to rouse tempers and to queer international relations by the time they reached distant capitals.

The discord that reigned in the oasis was described in *The Economist* of March 28, 1953. Briefly, modern usage suggested that it belonged partly to the Sultan of Muscat and partly to the Sheikh of Abu Dhabi; for instance, in 1945, nobody questioned the holding of a conclave there between the local sheikhs and a representative of their British protector. But in August, 1951, a Saudi official arrived there with forty men, claimed that Buraimi had been Saudi in the nineteenth century, and started to distribute the food and money that are the quick way to win hearts



in such poor country. The British were affected because the Sultan of Muscat asked for their help and because the Sheikh of Abu Dhabi enjoys British protection in matters of foreign relations. They therefore supplied pickets of Trucial Oman levies with instructions to prevent supplies from reaching the newcomers in quantities greater than was normal for the oasis. News of free food and largesse travels fast, and beduin took to eddying in and out of Buraimi, gathering round the Saudis when bounty was flowing but tending to leave again whenever supplies ran low. Shots were exchanged at times.

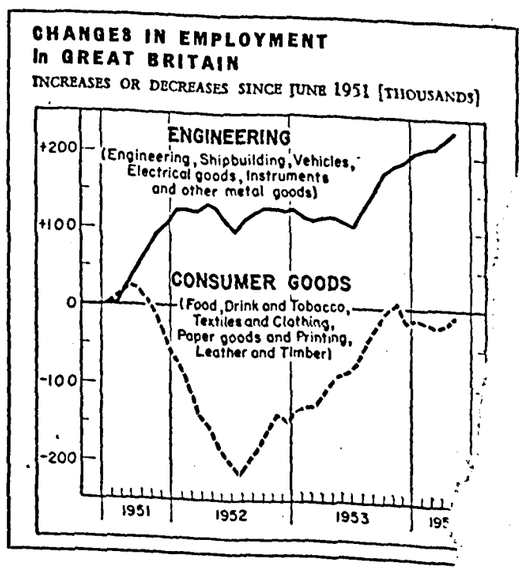
Now, both the Saudis and the levies are to go away, and the rulers and oil companies with interests in the area undertake to observe a neutral zone pending the verdict of the arbitrators. The importance of the agreement is that it sets a precedent for peaceful boundary demarcation in an area that used to be unimportant and uncoveted but is now thought to be rich and worth scrambling for.

More Trouble for the Ministry

IT is unfortunate for the Ministry of Agriculture that the case of *Woollett v The Minister* should have come before the High Court in the same week that the House of Commons debated Crichel Down. The two cases are not parallel, save in one important respect; each has called into question the behaviour of this Ministry's officials towards the individuals with whose lives and fortunes they propose to interfere. Mrs. Woollett owned four acres of land in Essex, of which she was dispossessed by powers derived from the Agriculture Act, 1947. Under that Act, her sole protection against unfair treatment was the Agricultural Land Tribunal, which is a tribunal of both fact and law and whose decisions are not subject to review by any superior court.

The case for entrusting such extensive and exclusive powers to any single body such as a land tribunal is that these tribunals contain independent farmers and landowners who are meant to be carefully selected by the Minister from specially constituted panels. Mrs. Woollett's complaint was that members of the tribunal who heard her case were chosen either by the chairman of the tribunal (who holds a permanent appointment) or by its secretary (who was without any authority or competence to do so), a method of selection that Mr Justice Stable considered to be "utterly deplorable." The Court held that the tribunal was not properly constituted, that the certificate by which it purported to dispossess Mrs Woollett was not an effective certificate under the Act, and that Mrs Woollett was entitled to possession of her four acres.

Since some twenty-four other landowners were dispossessed by certificates granted by the same tribunal at the same sitting, the Ministry has now a rather confused situation to clear up; unless, of course, it decides to enter an appeal against Mr Justice Stable's judgment. In any event, the new Minister of Agriculture will clearly have to spend a nervous few days searching through his files for any other postscripts to Crichel Down. When an organisation has lost respect, not only for the concerns of private individuals, but also for the formalities it has itself laid down for their protection, it has ceased to retain any claim that it is working in the public interest.



Letters to the Editor

Diplomacy and Cyprus

SIR—All I could find in your article of July 24th was the addition to the old theme "Of course we are right" of a reservation "But let us see what these people have to say." But are you right after all? You recognise yourself how difficult it will be for Britain to convince the Assembly of her "impeccable" title over the island or even to draw an iron curtain around the field of her domestic jurisdiction. This would simply make nonsense of the promises contained in the Atlantic Charter and the principles embodied in the Charter of the UNO as recently reaffirmed during Sir Winston's visit to Washington. Bilateral negotiations are therefore advised, but all that is suggested in your article is that Greece should be asked to subscribe to or join in the enforcement of a permanent regime of dependency over a people which demands the right to determine its own future. "There cannot be any question of abandoning British sovereignty over the island." Why? Because the United Kingdom cannot rely on the continued goodwill of the Greek government. But then it may expect to foster the bitterness and indignation of the Hellenic people. I hope, Sir, that we are moving towards the abolition of an international stock exchange where titles are bought and sold on territories and the freedom of peoples inhabiting them.—Yours faithfully, DEMETRIOS ARGYRIADES

London, W.8

Anglo-Egyptian Relations

SIR—Egypt's removal of all restrictions on sterling imports reopens to British firms one of the easiest, safest and most profitable markets available. Import licences are still necessary, and for non-essential goods the sterling has to be purchased from the "import entitlement" account. But there is plenty of import Entitlement Sterling available, and there is every prospect that the British Export Credits Guarantee Department will abandon its present suspicious policy in regard to cover for Egyptian business and so provide the facilities which some manufacturers require and are at present lacking. It is our earnest hope that British manufacturers will now make a determined effort to recover their position in many branches of commerce which have been lost over the past two years to competitors, and notably to German manufacturers, who have not suffered from import restrictions.

There are also a large number of investment or Government sponsored civil engineering projects in which it is most desirable that British Civil Contracting Engineers should be interested. There have been no tenders by British firms for any major project in Egypt for a number of years. German firms have been more enterprising and successful. British civil engineers have had reason to complain of the conditions of tender and of administrative delays and injustices in the course of execution, but these are, by and large, matters which can be the subject of representations to the Egyptian Government, who will undoubtedly give them sympathetic consideration. Egypt would welcome a renewal of interest by British firms in engineering projects.

There are, of course, complications. Egypt's economic position is sound as far as the current payments position is concerned but the Egyptian Government has not the capital to finance the large number of developments which the country needs. Facilities for payment over a period are more attractive today than the lowest tendered price. The new attitude of ECGD may assist contractors in meeting the need for prolonged credits.

One instance may be quoted to show how much ground has been lost by British civil engineering firms. The Egyptian Government has prepared plans for a new dam south of Assuan. The cost of this work will be around £200 million, spread over 8-10 years. Last year a number of constructional experts were invited to Egypt to inspect the plans and the site and to submit their comments. One British expert was included in the invitation, but was unable to attend. As a result of the criticisms then made, the plans were revised and this year fresh invitations have been issued, but no British expert has been invited. The reason must lie in the recent disinterest by British firms in Egyptian contracts in general.

There are some prospects of an official trade delegation visiting Egypt at the end of 1954 or early in 1955. It can do a great deal of good and should bring back to the UK better reports of conditions in Egypt than, to judge from the attitude of many British exporters, are currently accepted in England. Plans for a British trade exhibition to be held in Cairo in the autumn of 1955 are under active consideration. This project can be a great success, provided it receives the full support of British manufacturers. This Chamber will be only too glad to assist exporters with advice or by any other means in our power.—Yours faithfully, E. A. H. GOODWIN

British Chamber of Commerce of Egypt

Practical Convertibility

SIR—In your issue of July 3, 1954, you publish a letter from Mr Ernest H. Meili in which he referred to difficulties he had experienced in paying for excess baggage charges at Hamburg, and commented on the apparent disregard by BEA of the improved position of both sterling and the Deutschemark.

Unfortunately BEA is not a free agent in this matter as we are bound by the currency regulations of both the UK and of Germany. In conformity with the ban imposed by the UK Treasury on the use of sterling notes abroad, BEA is not permitted to accept these notes at any of our stations outside the UK. Until very recently the German regulations restricted the facility to pay in Deutschemarks for fares and excess baggage to German nationals and others having a convertible Deutschemark account, and it has therefore been necessary for BEA to require payment in some currency other than sterling notes or coin or Deutschemarks. Furthermore, where the Corporation accepts foreign currency for such payments, any change due to the passenger has to be provided in Deutschemarks.

We in BEA have been very conscious of the sense of frustration caused to our passengers by these restrictions and, particularly for this reason, have continually pressed for some relaxation which would ease the problem. The German authorities are now gradually removing the more onerous of the restrictions and, by a recent amendment to the licence under which the Corporation operates in Germany, we are now permitted to accept Deutschemarks from non-German nationals for a maximum of 20 kilos of excess baggage for certain categories of passengers. In addition, a facility has been granted which enables passengers to pay charges for any additional excess baggage direct to a bank for credit to BEA's Deutschemark account, but this method is still extremely irksome to the passenger. We are continuing our efforts to induce the German authorities to permit unrestricted payment in Deutschemarks for excess baggage and are hopeful that this may be achieved shortly.—Yours faithfully, R. L. WEIR

Financial Controller

British European Airways

Confusion in Kenya

SIR,—You talk of "the disarray into which European politics in Kenya have fallen," and describe this as "a deplorable state of affairs." Is it not fairer and truer to describe the present state of flux as a necessary and to some extent healthy prelude to the birth of two political parties? To talk of white supremacy as a myth is also misleading. Whether we like it or not, the European Kenyans are the only possible leaders in all practical, economic, social and ethical spheres, for the foreseeable future: this should be a matter for pride and not for shame.—Yours faithfully, R. A. RUSSELL-SMITH

Kiambu, Kenya

Books & Publications

Unfair to Beveridge

BEVERIDGE AND HIS PLAN.
By Janet Beveridge.
Hodder and Stoughton. 239 pages. 15s.

LOYALTY is a magnificent, terrifying, and sometimes rather comic virtue. It can inspire superhuman efforts and courageous self-abnegation; it is less favourable to cool objectivity and a sense of proportion. When to the loyalty first of a devoted lieutenant and then of a close colleague there is added that of a wife, very much a personality in her own right and fully endowed with Scots pugnacity, and when the whole force thus generated is let loose on its object's grievance, no one should be surprised if the result recalls an incident narrated in an early chapter of Lady Beveridge's book: the impact of little William Beveridge's mother, formidable in maternal wrath, on the school bully who had been knocking little William about. Figuratively speaking, the author is out to picket Whitehall with a placard bearing the legend "Unfair to Beveridge!"

Her book is neither precisely a biography of Lord Beveridge nor precisely an account of his Plan. It fills in some of the gaps in his own "Power and Influence"—notably by a lively and valuable account of his parentage, childhood and schooldays—but leaves others still yawning. The silence enshrouding, for instance, the years at the London School of Economics will be regretted, for a number of reasons, by many readers. Inclusions and omissions, however, follow a reasonably consistent pattern. It is the author of the Plan whose story is being told; whatever in his life, personal or professional, leads up to the Plan is relevant; other aspects, however interesting, can sink into the background. The discussion of the Plan itself assumes in the reader not only prior acquaintance with the Beveridge Report but ability to recall, without systematic reminder, every respect in which it differed from the 1944 White Papers and from the Labour Government's legislation. These passages cry aloud for an appendix, or at the very least for page references to the "sacred text." It is human and forgivable in Lady Beveridge to devote, instead, two full chapters to the success of the American tour on which she accompanied her husband—the apt rejoinders with which both regaled the press, the personal kindness of the President, the appreciative audiences, the fan mail—and a third chapter, of considerably greater intrinsic interest, to the reception of the report by the European resistance movements and the flatteringly anxious reaction of Goebbels's propaganda machine; but it is not really very enlightening. Indeed, the paradoxical effect of her account of the "launching amid cheers" of the Plan is to rouse lively sympathy for a War Cabinet who, facing hideous military peril and unknown but ominous economic prospects, were confronted with so formidable a popular enthusiasm for so vast a commitment. Of course Sir William Beveridge was right and the Cabinet were wrong—wrong and inconceivably clumsy. They should have gone nap on the report; used its author's services to the full in drafting legislation; and kept the principle of the welfare state—whatever particular amendments proved necessary—in fact as well as in name as far above party as the aim of victory itself. So it is easy to see now, jobbing backwards. Britain might have been spared much but for that misjudgment. Lady Beveridge's indignant pages will not, however, persuade every reader to impute it to jealousy, bad faith, or plain imbecility—expressions, it should hastily be added, which she never uses, though they glower unmistakably between the lines.

This book will neither help nor harm Lord Beveridge's reputation. He will not (as some surmised at the first breath of its appearance) have to take a long sea voyage; his stature, on the other hand, is independent of ex-parte championship. The book's quality lies in portraiture, in a detailed solidity lacking in his own larger-scale narrative, and in something of which the most irreverently critical must concede the value: transparent devotion to a good cause and a good man. Its main defect is one that often accompanies such devotion, a vicarious egotism, deadly to the power of seeing a complex sequence of human interactions steadily and whole. In the last analysis, it is as a human document rather than as a piece of contemporary history that "Beveridge and His Plan" should be read.

Secret Weapon

V.2.
By Major-General Walter Dornberger.

HAUPTMAN DORNBERGER, a young artillery officer, posted to a dangerously esoteric appointment concerning rocket development in 1932, would, in the British Army, have been moved on for the good of his career two or three years later. But in the German Army he was allowed to remain on this one task for twelve years. In that time he and his faithful team developed, produced and put into the field what was probably the technically most advanced weapon (nuclear fission apart) in the history of war.

The technical problems tackled and mastered by General Dornberger's team, forced for reasons of secrecy to work for most of the time without the help of industry or the universities, were formidable. Many of their solutions were brilliant, and not only worked but were taken almost straight from the laboratory and put into quantity production. The technical lead held by the Germans in this sphere was very apparent when the V2 threat was under consideration by the Allies during the war; the prognostications of our then technical experts probably did more to cloud than to clarify the picture pieced together by Intelligence.

On the military value of the long-range rocket opinions will vary until another war conveniently provides further evidence. In the latest volume of his war memoirs Sir Winston Churchill condemns the V2 on the ground that it required as much productive effort as a Mosquito aircraft to make, and only delivered one ton of high explosive during its life, as compared with the Mosquito's average of 125 tons. General Dornberger maintains that the production cost of a rocket was less than one-thirtieth of a twin-engine bomber, and that rocket production did not in fact interfere with German aircraft production. Bearing in mind the story disclosed by this book of over-early crystallisation of the specification (which resulted in the seemingly absurdly small warhead), the rushed development, the curtailed and inadequate trials, the chaotic manufacturing conditions and the extemporised operations, one cannot but wonder at the results actually achieved. It would be a tragedy if those responsible for defence were misled by too easy criticism of the V2 as an inaccurate and expensive toy.

It was a bitter blow for General Dornberger, who, besides playing a large part in developing and manufacturing this revolutionary weapon, had selected and trained and equipped the troops to operate it, to be at the last moment deprived of command in the field by the intervention of the SS. He may have been to some extent to blame for this by too readily accepting the help of the SS in getting priorities for his work at a critical stage, although after Himmler had gained control of the Home Army as a result of the plot of July 20th, S intervention was probably inevitab No doubt because of this ultim change of command, General Dor berger deals in a disappointingly p functory manner with the actual ope tions.

The book is not a literary masterpi and makes at times a rather he attempt to dramatise a story wh would, without any adornment, com favourably with the most luri "science fiction." While it wou unrealistic to expect from General berger any display of remorse invention of the V2, one migh hoped for some word of apology

concentration camp slave labour used for its production, an unpleasant subject on which he is discreetly silent.

Fight Against Crime

SCOTLAND YARD.
By Sir Harold Scott.
Andre Deutsch. 256 pages. 16s.

DURING the immediate postwar years, a great flock of thieves, confidence tricksters and other rogues, many of them violent, descended on London. The annual number of indictable crimes, which had been a little more than 90,000 in 1939, shot up suddenly and alarmingly to nearly 130,000 in 1945—or more than a quarter of the total number of indictable crimes in the whole of England and Wales. It was not until 1949 that the first significant fall in the number of crimes in London was recorded and the Metropolitan Police began to get the better of the criminals.

It was Sir Harold Scott's unenviable responsibility to lead the Metropolitan Police throughout this period. When he took up office as Commissioner in 1945, the force was some 6,000 men short of its normal prewar strength of 19,500. Recruiting was poor, and the policemen themselves were discontented with their pay and conditions of service. By the time he left office, in 1953, policemen's pay had been increased; promotion had been placed on a fair basis; the organisation of Scotland Yard, the Force's headquarters, and of the districts and divisions had been streamlined; and the back of the postwar crime wave had been broken.

With so much to his credit and so many exciting events to describe, Sir Harold Scott is singularly modest and unsensational. Not that the book is dry—far from it—but it lacks punch. After eight years of fighting London's criminals, of fighting, too, ignorance and apathy in Parliament and the press, one would expect pungent comments on the social problems of the age instead of the few platitudes which he offers. A policeman is even better placed than the doctor in general practice to notice the trends of modern life and to observe the effects of social legislation. His own enior officers, as Sir Harold Scott must now, are far from mealy-mouthed about ch matters, and the book would have d more value if the few criticisms and nments which he allows himself had n more outspoken.

For the rest, there are enthralling ounts of many of the big criminal es of the past few years—of the battle London Airport where bandits npted to snatch £750,000 worth of on and goods and were beaten off e Flying Squad in a pitched fight crowbars and truncheons; of the Haigh, Christie and Setty murder nd of the ruthless pursuits of happily few criminals who carry s. There are descriptions, too, olice organisation for the Coro- and, notably, Marshal Tito's visit. All in all, Sir Harold Scott gives an excellent account of his own work and the work of his policemen during these difficult postwar years.

Britain's Fifth Column

A GALAXY OF GOVERNESSES.
By Bea Howe.
Verschoyle. 206 pages. 15s.

THIS book presents the governess through the ages in a series of brief biographical sketches and shows how her prestige has fluctuated in public estimation. When learning for women is fashionable, as it was when Queen Elizabeth I set the standard, then the governess is respected. When all that she teaches is handicrafts and accomplishments she is a person of small importance. But it was not only because no intellectual standards were demanded of her that the Victorian governess was an object of contempt. The newly rich manufacturer wanted his crude offspring to be taught by gentlewomen. The daughters of the clergy were a convenient glut on the market, and he asserted his new place in society by treating these impoverished ladies very badly. Paid perhaps £20 a year, slighted by her employers and scorned by the servants, far from her friends and forbidden followers, the Victorian governess had an intolerably lonely and unhappy life.

Yet the profession has had its triumphs and rewards, however few. Some governesses commanded great affection and influence, as, for example, Selina Trimmer of Chatsworth, who was consulted by Lady Harriet Cavendish on whether it would be imprudent to marry the lover of her aunt, Lady Bessborough. The most successful character in Miss Howe's galaxy was Catherine Swynford, governess first to the children of Edward III and Queen Philippa, and later in the household of John of Gaunt, whose mistress she became. Not only did she become Duchess of Lancaster after his wife's death, but she also obtained legitimacy for the children she had borne him. The book contains nothing about the soberer rewards of being a royal governess today, but perhaps the less said about that the better.

In the nineteenth century governesses became one of Britain's most important exports, and were to be found in palaces and aristocratic houses all over the world. They were good propagandists for their country because, however exalted their employers, they remained convinced of the superiority of everything British. Readers who hope to find something sensational in the revelations of Miss Emmeline Lott, who lived in a harem (yashmak and all) as governess to a Pasha, may be disappointed. Others may occasionally blench at the somewhat inflated style; and few people, whatever they think of hockey-playing hoydens, will share Miss Howe's regrets at the passing of governess education. But this is certainly an entertaining book and clearly based on much patient research.

Scottish Symposium

THE SCOTTISH ECONOMY.
Edited by A. K. Cairncross.
Cambridge University Press. 335 pages. 30s.

THE renaissance north of the Border is gathering strength. Hard on the heels of the new *Scottish Journal of Political Economy* comes this symposium by twelve economists and social historians of Glasgow University. If addiction to aggregates has made some people south of the Border blind to the existence of such a thing as a Scottish economy, this book will serve as an eye-opener. Although the seat of power has long been in London, Scotland cherishes its own institutions and culture; and a liberal measure of administrative autonomy has done much to preserve the identity of the country within the statistical records of the United Kingdom. In his introduction, Professor Cairncross describes Scotland as "a distinct society with a unity and cohesion of its own," "an ancient kingdom in which the fire of nationalism still burns"; its economy functions "as a unit and with an independent momentum." The aim of the book is to give a twofold analysis—a comparison between the economy of Scotland and that of the United Kingdom at the present time, and a survey of long-run tendencies affecting Scotland's development. The Glasgow economists are in a great tradition: did not the father of political economy—the least parochial of men—include in his "Wealth of Nations" many penetrating comparisons between

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economic conditions in Scotland and England in his day?

The survey covers population, trade, income and consumption, the main industries, housing, health, crime, education, trade unions and the churches. Skilful use has been made of a variety of sources, particularly the recent Censuses of Production and Population. While much of the story is inevitably unexciting, there are a number of facts to interest the social scientist. For example, in 1951 there were nearly as many people living more than two in a room in Scotland as there were in England and Wales, where the population is nine times as large; the English have now replaced the Irish as the largest group of immigrants to Scotland; one in four church members is now a Roman Catholic as against one in six fifty years ago; in the worst winter month it is usual for 6 per cent of all Scottish workers to be off work owing to sickness.

A chapter of special appeal to economists is the one on income by Mr A. D. Campbell. Real income per head in Scotland in the slump of the thirties was 14 per cent lower than in the United Kingdom, and in 1948 it was 10 per cent lower. It is a pity that the details of this computation have not been published, for this is a significant new departure in regional analysis. The reasons given for the difference, in order of importance, are the lower level of incomes from work (agriculture playing a big part), the lower proportions of occupied persons in the population, and the higher rate of unemployment. These factors, however, hardly go to the root of the matter and do not tell us why wage-earnings are 5-10 per cent lower in Scotland. Mr Cairncross thinks the real reason is the comparative indifference of Scottish industry to technical progress. When we recall that Adam Smith too found Scottish wages lower than English, are we to conclude that Scotland has always suffered from a dearth of enterprising entrepreneurs? Perhaps the best men emigrated.

The book succeeds admirably in its declared object of portraying the measurable aspects of Scotland's economic life, and incidentally indicates the limit to which regional statistics can now take us. It is not the fault of the authors that they leave unanswered some of the deeper problems posed by the facts of Scotland's secular growth.

Poetry's Fallen Estate

THE BROKEN CISTERN.
By Bonamy Dobrée.
Cohen & West. 167 pages. 12s. 6d.

PROFESSOR DOBRÉE'S theme in these, the Clark Lectures for 1952-53, is poetry's fallen estate in the modern world. Parnassus, he would seem to say, was once a true National Park, known to many in a wide and delightful freedom. But now it is frequented mainly by school children and undergraduates moving purposefully in crocodiles under the superintendence of evaluating and analysing dons. Not here, O Apollo, are haunts fit for thee!

A great deal of poetry is still written, but it no longer gets itself much read. What is the reason? Was Peacock justified in saying that man has outgrown poetry? Mr Dobrée is emphatic that he was not:

> I for one pin my faith to the doctrine that for a satisfactory civilisation to exist, imaginative writing must be widely read, noting the accepted fact that poetry is the most highly-geared and inclusive form of such writing; but adding that to be nourishing it must respond to and express general states of being.

It is always possible to argue that poetry must become less generally comprehensible as it evolves. As Mr Edwin Muir puts it:

> The more a writer tries to render his vision of the world in its completeness, the more irrevocably he turns it into his private world. The more carefully he connects everything with everything, the less is his reader able to connect anything with anything.

But this, Mr Dobrée implies, is to treat poetry in a somewhat irresponsible or at least unbalanced fashion; and there is an answering truth, which has been proclaimed by Mr C. S. Lewis:

> It may well be that the author who claims to write neither for patron nor public but for himself has done our art an incalculable harm . . . by teaching us to emphasise the public's duty of "recognition" instead of the artist's duty to teach and delight.

The crux of the matter indeed lies here. Poetry must in all ages preserve its bardic function or perish; we rightly require it to be "releasing, illuminating, reconciling, and to deal with the things that most matter to most men." Poets abandoning this labour and this claim go out into the Waste Land—and against them we must invoke Jeremiah: "They have forsaken. . . . the fountain of living waters, and hewed them out cisterns, broken cisterns that can hold no water." This is perhaps a little dismal; yet Mr Dobrée is not himself a Jeremiah in the popular sense. He traces, learnedly and delightfully, the history of certain great public themes in English poetry, shows how these necessarily in some respects exhaust themselves from the imagination, and makes some enquiry into the manner in which they may be reincorporated there. His book is both a challenge to poets and a vindication of poetry.

Opinion Surveyed

POLITICS AND OPINION IN THE NINETEENTH CENTURY.
By John Bowle.
Cape. 512 pages. 25s.

MODERN conditions, Mr Bowle remarks in his new book, make the engagement of intellectuals in current affairs a necessity, and as he has written about the nineteenth century the twentieth has never been far from his mind. He writes "in the hope of contributing to clarify and mobilise opinion upon questions which will determine the life or death of modern society." This is not, of course, a plan on which a sound account of the development of political theory can be drawn up; and such an account should be fortified with a stronger grasp of social and political history than Mr Bowle displays in this book.

He has stressed the middle-class origins of most nineteenth-century political thinkers, but has stuck to their opinions and, on the whole, left their politics alone. Only five of the writers he discusses ever held responsible public office: three of these, Maistre, Tocqueville and Acton, were aristocrats; One, Leo XIII, was Pope; and Mazzini (whose interesting conspiratorial techniques are left unanalysed) ruled for only a few months. Questions of real interest about the impact of middle-class thinkers on the politics of the century still await an answer: what role did they play, for example, in the creation and organisation of mass parties? To what extent were they the controllers, and to what extent the puppets, of government policy? What machinery was there to translate any of their opinions into action, in what the author calls "the age of Marx and Spencer"?

None of these points is raised; instead, we are offered a survey of ground on the whole familiar to those already interested in the subject, drawn up in a style that can hardly appeal to the uninitiated. The strength of this book lies in the summaries that it gives of some of the main writings of about forty important authors, British, French, German and Italian. These sketches, composed largely of quotations, are sparsely accompanied by comment; this, on Marxism, may stand for example:

> On the merest pragmatic considerations, a less barbarous political theory is better suited to the twentieth century, in particular since nuclear weapons have made theories of inevitable violence incompatible with the continuance of ordered society.

Biographical footnotes, often of a rather hectic kind, help to introduce each new writer; and other notes list the chapter headings of major works cited. The summaries may serve to send readers back to the originals, for which no substitute is to be found in Mr Bowle's careless prose.

Books Received

STATISTICAL YEAR-BOOK OF THE WORLD POWER CONFERENCE: No. 7: *Annual Statistics for* 1950-1952.
Edited by Frederick Brown. *Lund Humphries* for The Central Office, World Power Conference. 160 pages. 40s.

CATALOGUE OF ECONOMIC AND SOCIAL PROJECTS OF THE UNITED NATIONS AND SPECIALISED AGENCIES, 1954.
Her Majesty's Stationery Office. 164 pages. 12s. 6d.

UNESCO: REPORT BY THE DIRECTOR-GENERAL AND THE EXECUTIVE BOARD ON THE ACTIVITIES OF THE ORGANIZATION DURING THE YEAR 1953.
Her Majesty's Stationery Office. 216 pages. 21s.



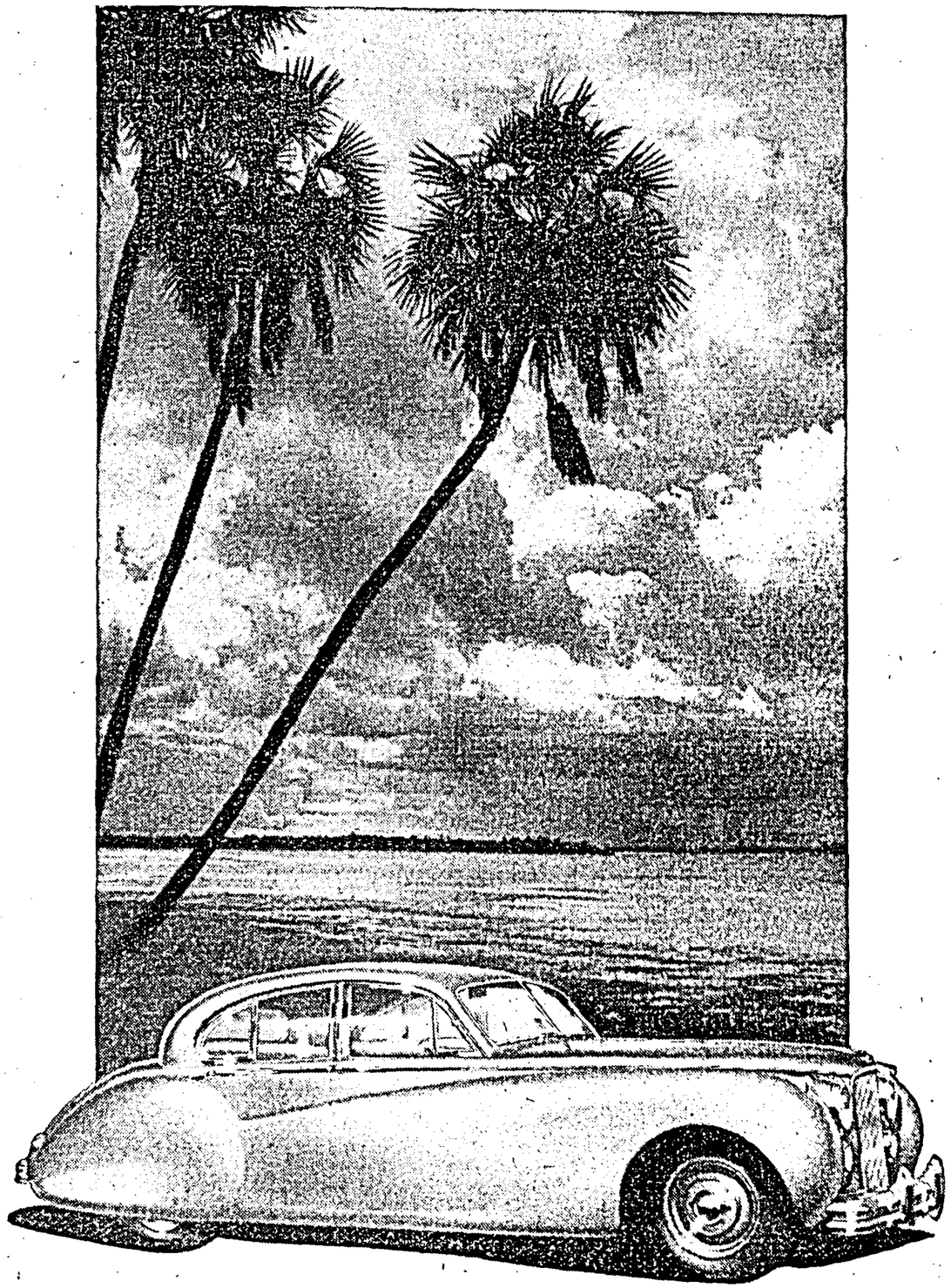
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American Survey

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Making the Best of Geneva

Washington, D.C.

THE Geneva settlement has on the whole been received in the United States with calmness and considerable resilience although bitter words have been spoken about "another Munich." For example, shortly after the news arrived, *Senator Knowland*, the majority leader, and Senator Symington, a former Democratic Secretary of the Air Force, agreed that those who followed the policy of "peaceful co-existence with ruthless Communism" would find themselves in the predicament of the "young lady from Riga who went for a walk with a tiger." And the air clashes off Hainan, although their impact has been less than might have been expected, could hardly have been better timed to provide extra arguments for those who believe in the incorrigibility of the Communists and the utter immorality of admitting the present Chinese government to the United Nations.

Until the Chinese apology arrived in London there was hope that the shooting down of a British aircraft would have a salutary effect on a Britain thought to be intoxicated by the heady effects of its own diplomacy; now there is quiet satisfaction that the air arm of the Pacific fleet was found to be ready and resolute. The absence of anything resembling war fever, and the polite silence that greeted President Rhee's suggestion to Congress that the South Korean and Chinese Nationalist armies be used to overthrow the Communist regime on the Chinese mainland with American air and naval support, speak much for the stronger nerves which Americans have acquired in the course of the cold war.

The bitterness of some of the reactions to the "abandonment of Indo-China," as the widely read Alsop brothers term it, ought not to be overlooked, for many Americans feel a deep sense of shame at the idea that twelve million more people should have disappeared behind the Iron Curtain. The reason is partly political embarrassment—Republican propaganda in opposition had habitually summed up Democratic foreign policy by the statement that when President Roosevelt went to Yalta there were 200 million people under Communist rule and when President Truman's term finished there were 800 million. It is partly strategic anxiety—Senator Symington, for example, and the Alsops argue that the Russians are rapidly overhauling the United States in modern weapons. But underlying this is a deeper feeling that American policy, in fumbling badly, has in some way displayed a failing of moral fibre, which will have the most serious effect on anti-Communist opinion on both sides of the Iron Curtain.

Nevertheless the general tone of American comment on the Geneva settlement is one of level-headedness and moderation. For this there are several reasons. Senatorial passions on foreign policy were for the time being exhausted by the flare-up over the rumours that Britain would try to force the entry of Communist China into the United Nations, while Senatorial bodies have been exhausted by a succession of all-night sessions on the atomic energy Bill. There is also wide sympathy with the President's observation at his press conference that, when he was put up against it, he could think of no better plan, so that he ought not to criticise what had been done.

Moreover, the propaganda drive by the Administration to convince the American people that the defence of Indo-China was essential for their safety got under way rather late in the day and had been put into reverse during the weeks of the conference. Also there was the discouraging factor, to which the President called attention as early as his press conference on February 4th, that many Indo-Chinese showed slight signs of wanting to be saved. Most Americans considered this must be entirely due to Indo-Chinese dislike of French colonialism, a feeling with which they of course greatly sympathised. Indeed it was the confusion of emotions—anti-colonialism mixing with anti-Communism—that kept American opinion aloof from the Indo-Chinese war until its penultimate phase, until, in fact, long after American money had started to pay a large share of its cost.

*

Finally, at least two of the accompanying features of the Geneva agreements gave some cause for relief. There was the ending of the French colonial regime and the emergence of Laos, Cambodia and, for the time being at least, southern Vietnam as independent states. Then there was the phenomenon of M. Mendès-France. Whoever is being blamed for the way the war ended, it is not the French Prime Minister. It is considered in the State Department that he obtained better terms than could have been expected in view of France's precarious military position; his meeting with Mr Dulles in Paris was a great personal success; and the highest hopes are being entertained that he will be able to turn the prestige gained at Geneva into good use in the National Assembly, persuading it to deal realistically with France's economic problems and ratify the European Defence Treaty. Thanks to the impact of this one fresh personality France's prestige is higher in the United States

at the moment of the laying down of arms than at any time for several months past.

As for the future, the division between optimists and pessimists does not run on party lines. The pessimists take it gloomily for granted that it will not be long before the three new states are undermined by Communist subversion and think that all Indo-China can now be written off as surely as the whole of Czechoslovakia could have been written off in 1938. The optimists see the uncommitted elements in Indo-China rallying round the governments of the states as soon as their independence of the French is seen to be authentic. They call for substantial economic and technical aid to enable Laos and Cambodia to withstand subversion and make Vietnam a shining example to the north in time for the elections in 1956.

It is clear that, doubtful as many people are about its chance of success, it is this second theory that will be tried. Mr Taber, Chairman of the House Appropriations Committee and reputedly the most economy-minded man in Congress, has just piloted through the House of Representatives a Bill placing at the President's disposal the $716 million intended to finance the Indo-Chinese war. He will be able to use it in South East Asia for any purpose, economic or military, covered by the mutual security Act. On the other hand the Administration is determined not to be caught a second time without a system of collective defence in being. Plans are going ahead for a conference next month or in September at the latest, probably in the Philippine Islands, of the powers who might be prepared to join a South East Asia defence organisation. Anzus, the alliance of the United States, Australia and New Zealand, is likely to be the model rather than Nato. There will, for example, be no unified command.

There seems to be no major Anglo-American difference over the question of this alliance, although there are still some American suspicions left over from the last misunderstanding and some marginal differences of emphasis. Despite the strength of feeling that there has at times been about Indian foreign policy, there is no disposition to oppose Britain's wish to associate India and the other Colombo Powers as closely as possible with the new *status quo* established at Geneva. In American, and particularly congressional, circles where, despite gestures of impatience, Indian criticisms of American actions and motives have caused much heartsearching, there is hope that with the dismantling of French colonialism the United States will yet be received back with open arms as the oldest alumnus of the anti-colonial school.

Fruits of the Filibuster

THE filibuster on the Bill to revise the atomic energy law conducted by liberal Democrats and Senator Morse of Oregon came to an end this week, only a few minutes before establishing a record for talking down a measure, when the majority leader, Senator Knowland, supported by the conservative Democrats, made it clear that he would keep Congress in session until all the remaining business backed up behind the Bill had been dealt with. The Administration has thus won its battle for the freer exchange with friendly nations of both peaceful and limited military information on atomic matters, despite the coupling of these purposes with the creation of a private domestic stake in the production of atomic power, about which there is so much stronger feeling.

The final vote in the Senate was 57 to 28, and in the House, which in a disciplined way voted down all Democratic amendments, 231 to 154. Both versions authorise private operation of atomic energy plants, which is now forbidden, and the granting of patents in this field to encourage private research. But in two respects the Senate Bill reflects the fears of the filibusterers that private monopolies on the part of a few large companies are about to be created out of a public investment of $12 billion in the development of atomic energy.

One of the filibuster's unexpected results was the adoption in the Senate of a provision authorising the Atomic Energy Commission to produce electric power at its own plants. This is a provision of which the present Administration is unlikely to take advantage, but which, if it is retained, might give some future Democratic Administration a yardstick for atomic power costs. The Senate also agreed to an amendment providing that for ten years, rather than for the five contemplated by the Administration, the Atomic Energy Commission might compel the holders of patents to share their secrets with others in the industry. The House version is much more favourable to private investment; it does not require any compulsory sharing of patents, and forbids the Atomic Energy Commission to engage in the production of electricity. Despite the promises of the Senate leaders, it may be doubted whether they will fight very hard for the Senate safeguards when Congress is so harassed and anxious to adjourn. But a fair criticism of the whole handling of the atomic energy legislation is that it deserved more than hurried consideration at the end of the session.

Escape for Watches

THE President's decision to approve the recommendation of the Tariff Commission that the duty on watches and watch movements should be raised is a sharp disappointment to those who hoped that, however recalcitrant Congress might be, the Administration would live up to its own belief in freer trade whenever it had the power to do so. The increase in duties will go as high as 50 per cent on some watches, though in no case above the levels prevailing in 1930. The Swiss have lost no time in protesting against the blow to the trade they have built up since the tariff was reduced in 1936. British bicycle manufacturers must regard, as another sign of ill-omen, the inquiry the Tariff Commission has instituted into the possible threat imports pose to the domestic bicycle industry. In the case of the watches, however, one of the arguments most persuasive to a reluctant President has been that the national defence requires the preservation of skills which in time of war are needed to turn out precision time fuses.

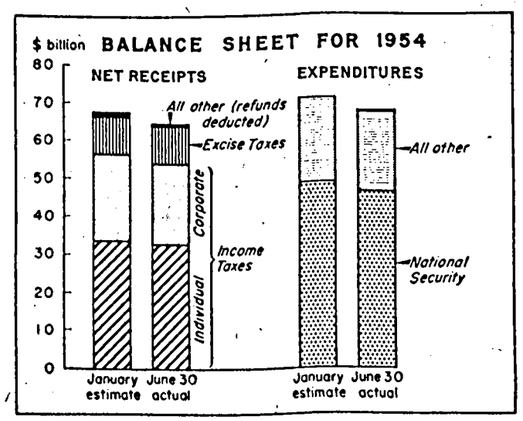
There is more hope in the President's postponement of a decision on lead and zinc duties, the second important test of the escape clause which was due to be decided in July. The Administration appears to be searching for some method of satisfying the influential mining states without penalising the trade of Mexico, Canada, and other exporters in the western hemisphere. The Tariff Commission ruled, by five to one, that the maximum permitted increases in

duties were necessary to revive ailing domestic mines and combat unemployment. The Administration, however, seems anxious to see first whether the increased purchases for the stockpile may not make it possible to avoid a substantial tariff rise and, if they fail, willing even to consider a direct subsidy to domestic miners.

These efforts are more in line with the President's recent refusal to raise the duty on imported fish fillets, which was so gratefully received by Canadian fishermen and by advocates of lower tariffs. In that case, however, the President could lean on the "fish stick," a pre-cooked frozen novelty, which has become so popular in the last year that it is difficult for supply to keep pace with demand. Soon, thanks to this convenient delicacy, the market should be large enough for all.

Deficit and Debt

WHATEVER the Democrats may say, President Eisenhower is making good progress toward the fulfilment of one of his election promises—to balance the federal Budget. Just in time to give a good start to the congressional election campaign the final figures for the 1954 fiscal year, which ended on June 30th, showed a cash deficit of only $1.5 billion, and an official deficit, after allowing for trust fund operations, of $3 billion. This was the first full financial year for which the Republicans had been responsible and the result compares with a cash deficit of $5 billion and an official deficit of $9.4 billion in the 1952-53 year, and an estimated deficit of nearly $7 billion for 1954 when Mr Truman left office. The 1954 balance sheet is even slightly more satisfactory than Mr Eisenhower himself expected in January and the new Administration is congratulating itself on this proof of the effectiveness of its continuing search for economies.



These economies have been most marked in the Defence Department and the reductions in spending there had at least something to do with the recession in the early part of this year, which in its turn brought 1954's tax receipts below the January estimates. But the fact that the deficit was lower than had been anticipated in January in spite of this short-fall in revenue is another source of Republican satisfaction, especially since there has been a reduction, allowed for in the January estimate, of $7.5 billion in tax liabilities as a result of cuts in excess profit, personal income and excise taxes.

The Secretary of the Treasury, Mr Humphrey, has been waiting until he knows exactly what the effect of the latest Tax Bill will be on revenue, and of the last Appropriations Bills on expenditure, before asking the Senate to swallow the pill which lies hidden in the sugar of the small deficit. For the Treasury ended the fiscal year with only $4.2 billion between it and the ceiling of $275 billion on the national debt; since then it has had to borrow another $3.5 billion by issuing tax anticipation certificates. Last July a gap of $9.5 billion was not considered a big enough margin to tide the government over the winter season of low tax collections and heavy spending, but when the Senate refused to follow the House's example and raise the ceiling to $290 billion, various stratagems enabled the Treasury to get by without going bankrupt. Senator Byrd is already telling Mr Humphrey that what has been done once can be done again, but it seems fairly certain that an exhausted and impatient Senate will be faced with another request for an increase in the debt ceiling before it is allowed to adjourn.

Rival Loyalties in Texas

IN recent primary elections (in which each party chooses the candidates who will carry its flag in the November contests) in states where the Democratic nomination means almost certain victory, and where the voters therefore make their real decisions in the primaries, incumbent Democratic Senators have been regularly nominated and are to all intents and purposes already re-elected. This week the two Democratic leaders in the Senate, Mr Lyndon Johnson and Mr McClellan, were both nominated, in Texas and Arkansas respectively, and Senator Ellender also won in Louisiana. In Oklahoma Senator Kerr failed to gain the necessary clear majority of the votes cast, and was threatened with having to fight a "run-off" election against a rival millionaire, Mr Roy Turner. But Mr Turner decided that even he was not rich enough to go on with a campaign that was already reputed to have cost over $1.5 million.

Senator Johnson, unlike Senator McClellan, had no difficulty in winning; nevertheless there seems almost certain to be a run-off in Texas, for the Governorship. This position usually brings with it control of the party machine in the state and can have great national importance, as was shown in 1952 by the present Governor of Texas, Mr Shivers, who is now seeking re-election. Then, mounted on the charger of states' rights, Mr Shivers over-rode loyal and liberal Texas Democrats and gave his support, and as a result the support of Texas, to Mr Eisenhower instead of Mr Stephenson.

It is difficult to tell how much the memory of this treachery has to do with Mr Shivers's present difficulties, or indeed how far it is regarded as treachery by the average Texan. The Governor did after all get a handful of silver which has benefited the whole state—the rights over undersea oil which Mr Stephenson insisted belonged not to Texas but to the United States. The near success of the rival

Democratic candidate for the gubernatorial nomination, Mr Yarborough, who in 1952 was easily beaten by Mr Shivers, is probably due mainly to distrust of letting any man succeed himself twice—Mr Shivers is running for a third term—and to the suggested connection between Mr Shivers and two financial scandals in the state. To Mr Yarborough's charge that Mr Shivers has been disloyal to the Democratic party, Mr Shivers replies that Mr Yarborough is disloyal to Texas and is bringing in outsiders, from trade unions, Negro organisations and the Americans for Democratic Action to work for him.

Certainly Mr Yarborough has the support of such groups, which have growing influence in Texas now that it is becoming industrialised. Outsiders are flocking into the state to live and they remain Americans even after they become Texans. This may explain why a loyal Democrat looks as if he might defeat a loyal Texan. The struggle between Mr Yarborough and Mr Shivers is also a microcosm of the struggle between liberals and conservatives in the Democratic party, which has never been joined so decisively in the nation at large as it has been on this occasion in Texas.

Tax Reliefs

THE House of Representatives has already approved the compromise version of the Tax Bill, but trouble is feared in the Senate over the dividend provisions. These were designed to relieve double taxation, but were originally rejected by the Senate on the political grounds that they would benefit only the rich. The compromise does not go nearly as far as the Administration and the House wished, but it does provide for the exclusion of the first $50 of dividend income from tax calculations and for the deduction of 4 per cent of the remaining dividend income from the amount of taxes owed. Apart from this, the final version of the Bill—to reach it almost 600 disagreements had to be resolved—follows closely the lines approved by the Senate, including the elimination of the tax relief on income earned abroad which the Administration had wanted in order to encourage foreign investment. Senators favoured this relief in principle but could not agree on the details of the clause and so left it out altogether.

The Bill contains a great number of provisions affecting businesses, covering tax regulations on such things as partnerships, pension plans, operating losses, depletion allowances and so on. The most important relief for corporations allows them to write off for tax purposes two-thirds of the cost of new equipment during the first half of its life. This, which means an annual loss of over $300 million in revenue, is designed to encourage industry to keep up its spending on new plant and machinery, and the Bill is expected to stimulate business in other ways as well. Personal spending may also be spurred by the various reliefs for individual tax payers, particularly as regards allowances for child care and medical expenses and on pensions. The Bill, which will run to about 900 printed pages, the longest on record, is a complete redrafting, the first this century, of the tax code. Under it about $1.4 billion altogether will be lost in annual revenue, but it prevents the loss of an additional $1.2 billion by extending the present 52 per cent tax on corporations until next April.

Wheat in the Dark

ALTHOUGH this month's drought is not yet as serious as it was last year, five more states have asked to be placed upon the "disaster list" which carries the right to emergency federal aid, and the government is holding itself in readiness to resume the buying of beef if the burning up of pastures forces ranchers to liquidate their herds. But it is too late for much of the wheat crop to be affected; nearly a billion bushels are expected to be added to a surplus of 889 million bushels, which in itself is more than sufficient for the coming year. It is no wonder, therefore, that the wheat farmers voted last week to accept a further 13 per cent reduction in the acres devoted to wheat and drastic restrictions over the use they may make of their idled land.

The vote for controls this year, however, was noticeably less enthusiastic, at 73 per cent of those taking part, than it was last year when 89 per cent agreed. Mr Benson, the Secretary of Agriculture, attributes this to the growing impatience of farmers with the stringent controls which must accompany high rigid supports for farm prices. There is no question that the imposition of allocations and marketing quotas bears particularly hardly on the small farmer who has just enough land to make a living. But it is also true that, to some extent, farmers this year were asked to buy a pig in a poke for, until the farm Bill is voted upon, they cannot know exactly at what level their prices will be supported. Mr Benson has issued an assurance that this will not fall below 80 per cent of parity—an assumed just price—whatever Congress does or fails to do. This means a guaranteed price of about $1.99 a bushel, less than this year's $2.24 a bushel, but still preferable to the $1.25 guarantee which is all wheat farmers could have counted on if they had jettisoned controls.

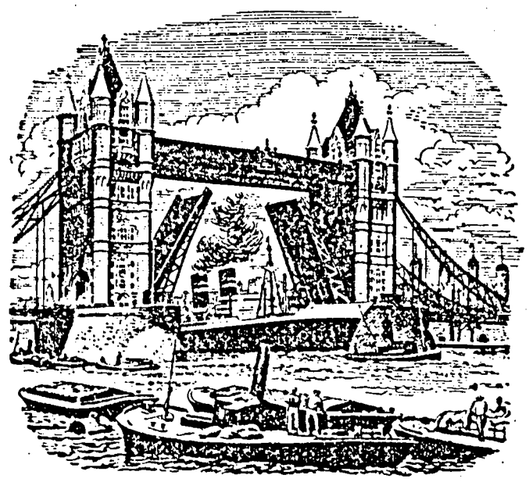
Electricity in an Election

FROM A CORRESPONDENT IN OREGON

IN no part of the United States does the question of whether hydro-electric power should be developed by private interests or by the federal government assume so much importance, economic and political, as it does in the Pacific Northwest. It has been obvious for some time that this question would be the main issue in this year's election contests in Oregon, but the arguments have now crystallised around the two candidates for the senatorial seat. In November the voters will thus have an opportunity to give a clear-cut decision between the two methods of providing the additional hydro-electricity which is vital to the area. The Republican incumbent, Mr Guy Cordon, is the chief congressional exponent and part author of the Eisenhower Administration's policy of encouraging the private financing of river developments as the only swift and sure means of obtaining more electricity. The Democratic challenger is Mr Richard L. Neuberger, a State Senator and a well-known journalist, who is an all-out advocate of public power projects as the only answer to the Northwest's difficulties.

Mr Neuberger wants the full hydro-electric potential of the Columbia river and its tributaries—30 million kilowatts, more than five times that of the Tennessee valley

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system—to be developed by a continuation of the federally-financed programme that began with the construction of Bonneville and Grand Coulee dams in the first years of the Administration of President Roosevelt. This undertaking ground to a halt in 1950, when Congress sidetracked domestic public works in order to give a clear run to the stepped-up military and foreign aid programmes. Not since the outbreak of the Korean war has Congress authorised funds for a new dam on the Columbia river system. Dams now under construction are expected to satisfy the Northwest's growing need of energy until 1960. But after that year the region, which is expanding rapidly in population and industry, will be faced with a critical shortage of electricity unless new projects get under way soon, for these massive concrete dams take from six to ten years to build.



Senator Cordon agrees that new projects are urgently needed, but he believes that private utility firms should now be encouraged to undertake portions of what was intended to be an all-federal hydro-electric system like that in the Tennessee valley. Mr Cordon contends that, since Congress is unwilling to finance new projects on the Columbia, private capital should be permitted to contribute to the construction of dams and to make profits through the sale of electricity; enough federal funds should be provided in each case to pay for those navigation, flood control and irrigation aspects of the undertaking on which direct returns would be insufficient to cover costs. That is what has come to be known as the "partnership" policy of the Eisenhower Administration. Mr Neuberger argues that the Northwest's extremely low electricity charges, which have been responsible for the area's economic growth, are dependent on the continued development of hydro-electricity with public funds. He also objects to the partnership plan because private interests would provide funds for only part of each project but would reap all of the return from the electricity produced.

The partnership plan has already been given practical effect in the Northwest in a number of ways which will be argued over endlessly between now and next November. The most controversial example was the decision by the Secretary of the Interior, Mr Douglas McKay, a former Republican Governor of Oregon and a close political associate of Senator Cordon, to withdraw federal support from the much-publicised plan to build a high dam in Hells Canyon. Construction of the federal dam has been opposed by the Idaho Power Company, which sought permission to develop that stretch of the Snake river by building a series of low dams, and supported by many local groups interested in cheap electricity and plentiful water for irrigation. The engineering merits of these competing projects are now being considered by the Federal Power Commission, but no decision is expected until after the election.

A second example is offered by the long-term contracts which have been signed with private utility companies, assuring them of a share of the electricity produced in the Northwest by federal generators for twenty years, in spite of the law which gives public agencies first call on the output of all federal hydro-electric projects. A private power company has been given the privilege of completing the main Central Oregon transmission line to Klamath Falls, which means that this firm will have control over all electricity moving into the Klamath Falls area from the Columbia basin. The Bonneville Power Administration, the government agency responsible for marketing federally produced power in the area, had planned the line as an integral part of the unified federal grid system, which has made it possible to deliver electricity to any point in the Northwest at a uniform price. Furthermore, the Bonneville Power Administration itself has been reduced in authority. Finally, Senator Cordon has introduced in the Senate a Bill to effect a partnership between the federal government and the Portland General Electric Company for the erection of a dam at the important John Day site. This scheme is regarded by local government electricity undertakings, rural electricity co-operatives and farm and labour organisations as an attempt to undermine the integrated federal system of the Columbia basin.

Senator Cordon cannot be said to be an Eisenhower Republican even though he agrees with the President's power policy. He has opposed much of the foreign aid programme and was one of the comparatively few Senators who voted against the North Atlantic defence treaty. Mr Neuberger, on the other hand, is an advocate of foreign military and economic aid on the broadest scale. On domestic issues it is fair to say that Mr Cordon's record is more conservative than that of Mr Eisenhower; Mr Neuberger is far to the left of both.

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This difference in ideology is, of course, at the base of the argument over power development, but views on the Northwest's hydro-electric problems do not divide on strictly party lines. It was a Democratic Congress which imposed the "no new starts" policy on the Columbia basin, drawing support from midwestern and eastern Congressmen of both parties who feared the economic competition offered by the West and the South as the result of cheap electric power. And, while in Oregon the Republican and Democratic candidates for the House of Representatives and the Governorship are following the respective leads of Mr Cordon and Mr Neuberger, in Washington, another state with a major stake in the development of the Columbia basin, there is no such partisan division on the issue. There both Republicans and Democrats generally favour continued federal development. It is, of course, hardly surprising that Oregon's junior Senator, Mr Wayne Morse, who bolted the Republican party two years ago and now calls himself an independent, is an energetic supporter of Mr Neuberger and a sharp opponent of partnership.

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Correction:—On page 199 of *The Economist* of July 17th, the figure for the cut in the annual consumption of coal by the American railways should have read 100 million, not 100,000, tons.

The World Overseas

Co-existence in Germany

A TRAIN recently steamed into the little town of Wolfsburg on the western side of the interzonal frontier, and was greeted like the first transcontinental express to cross America. A band from the Volkswagen works blared at midnight on the festooned platform. Rejoicing was understandable because the train came from Leipzig, and was the first for ten years to make the trip to Cologne. It symbolised a new policy on the part of the East German government, working on Soviet orders. After weeks of negotiation between representatives of the east and west railway administrations, the interzonal train service is to be doubled.

With the new freedom in passport regulations and better transport, traffic has already greatly increased. West German professional men and groups of workers are accepting invitations to all-German gatherings in Central Germany (as it is called in the west) in larger numbers than before. There are other signs of a change. In Berlin, for instance, Russian officials are attending western parties with hail-fellow-well-met manners. But perhaps the most striking evidence of softer Soviet tactics is the relaxation of restrictions in the "forbidden zone" along the interzonal frontier. This zone dated from the summer of 1952, when the Bonn and EDC treaties were signed. At that time, Herr Ulbricht announced that the "German Democratic Republic" would go full steam ahead towards Socialism, and he made it clear that he would seal his state off from the west and strengthen the power of the secret police and East German army. As a start, the police, acting with a brutality that roused great bitterness, cleared a strip along the interzonal border of "unreliable" inhabitants and imposed restrictions on the rest. Many peasants from all Soviet Germany fled across the frontier leaving large tracts of land untilled.

After July, 1952, the mailed fist was also applied to the Soviet Zone churches. The Protestant church did not escape, though it is by tradition obedient to the state. Now the velvet glove is on Communist hands, and the Protestant church has been allowed to hold a huge all-German rally at the Soviet exhibition pavilion in Leipzig. Here, anxious East Zone questioners, looking for guidance about the Communist régime, were spiritually fortified, but also commanded to obey the *Obrigkeit*. To impress the visitors with the new tolerance, Herr Nuschke—puppet non-Communist of the East German government—hobnobbed with churchmen-politicians from Bonn, and gave a public assurance that East German critics would not be prosecuted though they will be reformed by persuasion. In the effort to further the Soviet campaign for unity, "peace" and opposition to atomic weapons in Germany, the Metropolitan Nicolai of the Orthodox Church has been roped in. The dignitary invited neutralist Protestant church leaders from the west to Moscow and sent messages to Leipzig. This fraternisation between the heirs of Luther and of Byzantium in the stronghold of materialism is one of the queerest moves in the whole of Mr Molotov's game.

For the general public, the Communists offer better and better living. The "new course" introduced in May of last year has been continued with limited success, though the Russian authorities have helped by giving up the factories they had confiscated. The planners have run into trouble. They tried to secure more consumer goods by raising the working norms on which wages are based, and the result was the revolt of June 17, 1953. They cancelled the increases, but still try to find means of inducing greater productivity. Exports have also to be expanded, and whole factories are to be offered to China and the Near East. But in many vital fields of production, and in quality, the tale is of plans unfulfilled. Concessions have been made to the peasants, but food is still scarce. Some farmers were recently given savage sentences for allegedly fostering livestock disease on a state farm, but such terrorism is hardly likely to tempt emigrés to return. It is true that food and industrial consumer goods are more plentiful than before, but they still lag far behind the German "Golden West." In real purchasing power, the western D-mark is still worth about two and a half eastern marks, and the Communists remain at a disadvantage in interzonal trade on that account.

Attempts to catch up with the Federal Republic have been easier in the realm of "sovereignty" than in standards of living. After the Berlin conference, Mr Molotov granted an ostensible sovereignty to the German "Democratic Republic," and has tried to secure recognition of it from the Bonn government, the western allies and foreign states. He has not succeeded, though it becomes increasingly difficult not to deal with the East German authorities in practical affairs. Mr Molotov intimated, at the Berlin conference itself, that he would recognise the Federal Republic in return for Bonn's acknowledgment of the status of the East German state.

The picture from the Soviet side is therefore increasingly one of peaceful co-existence between two states. Though Mr Molotov has remained *fortiter in re*, he is certainly *suaviter in modo*. It was evidently decided in Moscow last year that the more Herr Ulbricht threatened and cut connections with the West Germans, the more they rallied

round Dr Adenauer and looked to America for protection. If Soviet terms for reuniting a neutralised Germany were ever to be accepted, it was essential to appeal to the German bourgeois and to brush up the puppet "National Front" as well as to improve eastern living conditions. Mr Molotov, it is evident, wants recognition of the eastern republic as a sovereign state, because its representatives might then in due course negotiate with a Bonn government on reunification without "interference" from the Allies. One day, it is evidently anticipated, West German intellectuals, churchmen, industrialists and trade unionists will be so used to conferring with Communists that they will start organising the kind of elections that Mr Molotov proposes. Before that event, the two German states would, according to Mr Molotov's Berlin plan, join his European Treaty Organisation, with limited forces pledged not to keep company with Americans. In the meantime, active opposition in the Soviet Zone is not likely to increase as conditions improve and the interzonal trains multiply. Resistance does not go with co-existence. It leads, according to a recent German Communist forecast, to collaboration.

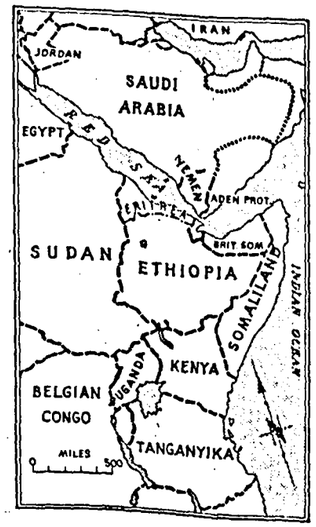
Aggression by Locust

IN the old days, even prophets were glad to collect the locusts and eat them with wild honey. If the millions of insects that escaped went on to destroy the crops and blight the countryside with their slime, that was an Act of God about which little or nothing could be done. This same apathy persists today among most of the indigenous populations of East Africa and the Near East. Yet this year the locust menace is reaching a new peak; losses could easily run into many millions of pounds. There is no good reason why the pest should not be eliminated with the help of modern control methods and equipment; and partly as a result of a conference held this month at the Colonial Office, the three British territories in East Africa are planning an urgent drive to save themselves—and others—from a possibly ruinous situation.

It is the desert locust, not to be confused with the red locust, that is causing the fuss. The red locust makes a nuisance of itself further south. Its main breeding grounds are in the southern part of Tanganyika and it is being very successfully coped with by an international organisation to which all the governments with an interest in the affected areas—the British, the French, the Portuguese—subscribe. There is as yet no such international co-operation to settle accounts with the desert locust. The governments in question are less well assorted; most are poorer and all are more hopeful, in a philosophic way, that the locusts will blow over into their neighbour's fields and leave them in peace. And the locusts are making full use of this failure to take and concert measures.

All the countries of the desert zone from India through Arabia and Syria to East Africa are periodically afflicted by invasions. The locusts coast down wind and can take hops of as much as 1,200 miles at a time. They travel with the monsoon from India to the Arabian peninsula; and from Arabia swarms fly north or cross into Africa. It is the luck of the draw whether they land in Egypt, Jordan, Ethiopia, Somalia, or East Africa. The last serious invasion of East Africa was in the early 1930s, when locusts reached as far south as Tanganyika. For no clearly explained reason, a relatively peaceful period followed. But in 1948 a fresh outbreak began. As a consequence a special locust control organisation was formed in East Africa to fight the swarms coming over from the breeding grounds in the Arabian peninsula. Teams were sent over into Arabia to deal with the pest at source. This campaign is being organised—and paid for—not by the three territorial governments direct, but by the East African High Commission, a body much maligned by black and white politicians alike, but which is none the less doing much unpublicised good work of this sort. Its resources are, however, limited, and as the pest began to get on top in Arabia the teams had to be withdrawn to administer first aid in East Africa itself.

This year, reports from the Arabian peninsula are more alarming than ever. Unless drastic action is taken there is a real risk of a devastating invasion during the next six months. The locusts could easily do £15 million of damage at a single sitting. Although they do not eat cotton or coffee, swarms (there could be hundreds of them, some as much as a hundred miles square) could destroy the plantation crops by sheer weight. It is possible to argue that these fears will prove alarmist, as in the past; and that the locusts will fly away into the Indian Ocean and not be heard of again for fifteen years. But there seems no good reason why the risks should be allowed to continue. The East Africans have consequently taken a lead in convening a working committee of the Food and Agriculture Organisation which will, at its September session, consider ways and means of internationalising their private campaign. Meanwhile, they have decided to send the extermination teams back into Arabia.



What is at present being done? The East African territories—with some slight assistance from the British taxpayer—are now spending £1 million a year on the campaign. They have a team of some sixty or seventy trained locust officers in the field; they also finance research, both pure (into the creatures' habits), and applied (into methods of destruction) to the tune of £200,000 a year. The efforts of the Arab states are less well knit. Most have contributed in kind and provided teams, but the bulk of the effective international work continues to come from the East African territories. There are only two known ways of destroying locusts, either by spreading poison bait while they are in the hopper stage (they take six weeks to grow wings); or by spraying them with insecticides when they are in the air. The former method is by far the more effective: not only are the flying swarms far too big to be sprayed efficiently, but there is a very real danger to the aircraft if they accidentally get in the insects' way.

To do this the East African High Commission estimates that an extra £250,000 is needed. It argues that the locusts, being no respecters of frontiers, should be fought on an international plane; that contributions to the campaign should be paid on the same basis; and that the United States might even be persuaded to cash in on the good will. The teams that have been sent up from East Africa seem so far to have been remarkably successful in crashing the barriers which otherwise cut across British relations with the Saudi Arabians and some of the other affected countries. It may not prove so easy to put co-operation on the more formal level of international conventions and responsibilities. But the danger is now so great that it should seem obvious even to the most ostrich-headed that the only long-term solution is to make a really concerted attack on the infested areas in Arabia.

Economics of Divided Vietnam

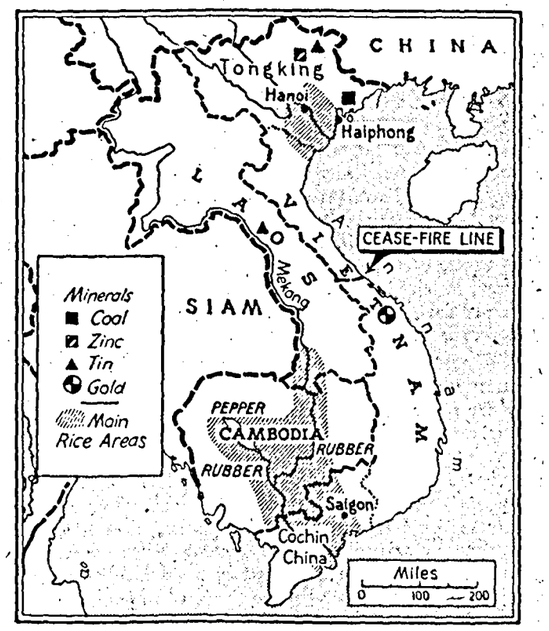
IN Vietnam the gunfire is dying down but the economic consequences of the division of the country cannot yet be fully grasped. Much will depend on the Viet Minh's attitude towards French and native firms as well as on its willingness to trade with southern Vietnam and with France. But it is already possible to sketch the background against which the relations between the parts of a once united country will have to be worked out.

The population of Vietnam is roughly equally divided by the demarcation line. After eight years of war there are obviously no accurate statistics and some estimates have tilted the population balance strongly in favour of the North. The most reliable figures, however, are probably those published in *Le Monde*, which has adjusted the data of the 1943 census. The total population of the Associated States is put at 27.5 million, of which 22.5 million live in Vietnam; and about 11 million people live north of the demarcation line. It is impossible to predict how many will take advantage of the opportunity to migrate south, but a large-scale exodus of peasants is unlikely.

The Viet Minh will find it more difficult to feed its half of the population than southern Vietnam. If a summary balance-sheet of economic resources were to be drawn up the southern section would show more foodstuffs and rubber, while the northern part would prove richer in mineral wealth. (For more details see *The Economist* of May 8th.) In the present division of the country the Communists do not take over any rubber plantations. Rubber cultivation is limited to the basaltic red soil of the south and is concentrated in Cochin-China. Rubber exports are once again approaching the prewar level of some 70,000 tons. The whole rice surplus (prewar exports averaged 1.5 million tons) is also to be found in the south, in the Mekong delta. Though output in the Tonking delta is estimated at some 1.7 million tons, the north is not self-sufficient in rice. Will it go on importing rice from Cochin-China?

With a rice deficit and no rubber surplus the area occupied by the Viet Minh will in the short run prove an economic liability to its Chinese and Russian allies. But potentially it offers great scope for industrial development. Coal, tin, zinc, wolfram, manganese, antimony and lead deposits are all to be found in the Tonking region and there is room for rapid expansion. Though anthracite extraction was only 750,000 tons last year, output had exceeded 2.5 million tons before the war and can be stepped up rapidly.

Moreover, not all the wealth is potential. The Communists now inherit several actual economic centres, particularly Hanoi, Haiphong and Nam-Dinh. The latter, in the south of the Red River delta, is a textile centre and, according to *Le Monde*, its mills employed 13,000 workers in 1940, though only 4,000 in recent months. Hanoi, in addition to being a transport and distribution centre, has also many branches of light industry; its population is in the neighbourhood of 275,000. Finally, Haiphong, with about 160,000 inhabitants, has textile and engineering establishments as well as important cement works; although its turnover has declined to about one-third of the prewar



volume, Haiphong is still an important harbour and the French are very grieved over its loss; they had hopes of keeping it and building it up as a competitor to Hongkong.

What will be the direction of Haiphong's traffic in the future? Will north Vietnam continue to import its textiles, chemicals, vehicles and other goods from France? This question still remains in suspense as also does the problem of the future treatment of French firms which decide not to be evacuated. The Viet Minh is clearly keen to keep the French specialists; it has already asked the textile experts to return to Nam-Dinh. Its attitude, however, to French as well as to native capital is not yet known. M. Mendès-France was given assurances that there will be no discrimination against French firms. This may mean merely equality before an anti-capitalist law. On the other hand, many French firms hope that the Communists genuinely want French collaboration in the transitional period, while few people now look beyond July, 1956.

The race is still against the clock, but the battle is to be fought for the moment with economic weapons. The Viet-

minh, confident that it will win in the electoral battlefield, may well harness French firms for its vital economic task. It will certainly appeal to its Communist allies for aid. Southern Vietnam has been promised a greater degree of independence and French economic assistance. American aid will certainly flow in as well. Yet will all this be poured down the drain through corruption or inefficiency? Having failed to win on the battlefield will the West prove capable of preventing an economic Dien Bien Phu in Indo-China?

Tito and the Peasants

FROM A SPECIAL CORRESPONDENT

DESPITE the considerable progress of industry, and the very rapid growth of the urban population, nearly two-thirds of all Jugoslavs still earn their living from agriculture. Before 1941 most Jugoslav peasants lived in great poverty. For this there were many reasons, but chief among them was rural overpopulation. Too many people were engaged in producing crops at too low an output per acre, there were too few jobs outside the villages, and every year the pressure was increasing. Poverty bred political discontent. When Tito's Partisans began their national and civil war, many peasants were attracted to them not only by the patriotic desire to fight the invaders but also by the hope of a social New Deal, which the Partisans proclaimed. Other peasants joined Tito's enemies; but it remains a fact that one of the main reasons for his victory was the support of a very large part of the peasantry.

In the first postwar years the new régime's agricultural policy was an imitation of Soviet policy. This lost it most of the peasant support which it had won in war. The aim was collectivisation of agriculture. The pressure on the peasants was in fact most severe during the two years which followed the Cominform's excommunication—1949 and 1950. This policy proved a failure, partly because it was resented by the peasants and possibly still more because it was uneconomic. Since 1952 peasants have been allowed to leave collectives, and collectives to dissolve themselves, with the result that about two thirds of them have disappeared. Compulsory deliveries to the state have been abolished, taxation reformed. The peasants' pleasure at these changes was diminished, it is true, by a new land reform carried out in the spring of 1953, which lowered the maximum limit for private holdings from 25 to 10 hectares, and placed the land thus acquired at the disposal of the authorities, who were to use it primarily for the benefit of poorer peasants who had been stranded in impecunious surviving collective farms. But on balance since these changes the lot of the peasants has been much less harsh. Nevertheless, several very serious problems remain.

Whereas before the war Jugoslavia had a large export surplus of foodstuffs, in recent years it has had to import grain. If it is ever to pay off its large foreign debt, to improve its balance of payments, and to pay for the materials needed for further industrialisation, it must increase its agricultural output. In some important areas this still lags behind the not very impressive prewar levels, and at present the peasant smallholder has few incentives to do better. He lives well, at least in the most fertile areas. He eats as much as he likes—far more wheat flour and far less maize than before the war. His children are better educated than ever before. But he sees little reason to work harder, produce and sell more. Though there are no more compulsory deliveries, heavy transport costs limit the opportunity to sell direct to the urban consumer, and the producer in fact has to accept the low prices dictated by the state authorities. Though taxes are now assessed, not on the crop but on the acreage of land, and thus are no longer an active disincentive to output, they are still considerably heavier than they were before the war.

The relationship between the prices of agricultural and industrial goods is a point on which experts disagree. All that can be said with certainty is that, of those articles which the peasants need to buy, some are cheaper but others are not. Rightly or wrongly, many peasants believe that the exchange of products between town and country is so unfavourable to them that it is not worth their while to make the extra effort.

But difficulties in foreign trade are not the only trouble. The spectre of rural overpopulation is looming up once more. The original five year plan of industrialisation had to be scrapped some time ago. Certain "key projects," of major importance to the future of the economy, were retained. Many of these have not yet been completed. Many of them, like electric power stations, though providing employment during their construction, will not require a large labour force when finished. Other outstanding industrial projects have been subjected to severe scrutiny, by strictly economic criteria. New industrial construction is for the time being forbidden, except for minor local enterprises sponsored by local authorities. In short, the prospect of a considerable outlet in industry for the growing rural surplus population, for the next few years at any rate, is extremely bleak.

Incentives to Grow More?

The abandonment of collectivisation does not mean that co-operatives are to be discouraged. On the contrary, Marxists and non-Marxists can agree that Jugoslav agriculture desperately needs more and better co-operatives, for the improvement of crops and livestock, for various forms of village industry and to raise technical standards. It is not difficult to list the things that can and should be done to improve Jugoslav agriculture. Most of them are to be found in the ambitious ten year plan approved by the Federal and Republican governments. But underlying these practical plans is the deeper problem of the régime's relations with the peasantry. The essence of the government's plans is that agriculture should be improved by investment from outside, by action planned from above, rather than by the initiative of the peasants themselves. The peasants could be given a direct incentive to produce more if the prices of their produce were allowed to rise, or if their taxes were appreciably reduced. But this the government does not wish. To keep prices low, it even imports large quantities of Turkish grain, of rather low quality and at a rather high price. The total estimated revenue for 1954 from peasants' taxes is 32 milliard dinars, while the average yearly investment on the agricultural ten year plan is 64 million. A substantial reduction of peasants' taxation would thus provide an incentive at rela-

future imperfect

Wild animals depend for their food on what they can find.
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tively small cost. But for political and ideological reasons it is not considered desirable.

There is mutual distrust between government and peasants. The peasants will not quickly forget the experience of 1949-50. They resent the government's attitude to their religion. The Jugoslav Communists regard the peasants as unreliable petty bourgeois. Some of the wilder comrades have been known to describe them as "class enemies," but they have been told by no less an authority than Edvard Kardelj—the Marshal's right-hand man—that this is a serious error. There can be no doubt of the desire of the Communists to raise the standard of living of the peasants. Their anti-religious campaigns they regard as humanitarian action, to save the peasants from superstition and squalor. The peasants see it differently.

Jugoslavia has other serious social problems, among the recruits to the working class and the intelligentsia, but they are less serious than the peasant problem. Agricultural output and rural overpopulation are matters of life and death. Improvement can come only by a combination of government policy and peasant initiative, by the restoration of confidence between the peasants and their rulers, through the new types of co-operative or through any other channels that may be available. The task is not easy and progress cannot be very quick.

Reshuffle in Albania

WHAT goes on inside Albania is really anybody's guess. But the news that does trickle out from this most isolated and mysterious of all the Soviet satellites suggests that the regime conforms faithfully to the pattern laid down by Moscow. The latest development, announced last week, is a government reshuffle. The leading figure in the regime, Enver Hoxha, has resigned the premiership, and, as first secretary of the central committee of the party, is to devote all his energies to strengthening and developing the party. His rival, Mehmet Shehu, formerly deputy premier and minister of the interior, heads the new government.

In one sense, this is only another round in the interminable sparring of these two party bosses; it is almost exactly a year since the previous round in which the honours seem to have been fairly evenly divided. But it also conforms to the trend that has been carefully followed elsewhere in eastern Europe—the trend against collective leadership and towards a formal separation of party and government. It does not necessarily mean that Hoxha is on the way out; Rakosi, who performed the same manœuvre in Hungary a year ago, is very far from being a back number today. Moreover, there is clearly no intention of blowing softly upon the dominant role of the Albanian Communist party.

In Albania, as elsewhere in the Communist bloc, agriculture is the government's chief preoccupation; the minister of agriculture in the new cabinet is also the first vice-premier. Agricultural production is stagnating, if not declining, and collectivisation has been a signal failure; by the end of 1953 only 12.8 per cent of the arable land belonged to collective and state farms. Since last summer the government has dutifully followed the Soviet "new course" line towards the peasants; investment in agriculture is being stepped up, compulsory delivery quotas reduced, and attempts made to improve supplies of consumer goods. But incentives for the peasants do not go well with a fixed and proclaimed determination to go on with collectivisation; in any case, in Albania's primitive economy, more textiles and shoes are not easy to come by in a hurry. Enver Hoxha has just announced a "considerable credit" from the Soviet Union for agricultural machinery, fertilisers and equipment for consumer goods industries. For the regime, much will depend on the extent to which this credit materialises. The Albanian Communists may not, like some of their comrades further east, have the Red Army sitting on their coat-tails; but their dependence on Moscow is none the less compelling for that.

Divided Bengal

FROM A CORRESPONDENT

THE bitter flare-up in East Bengal which has recently compelled the Pakistan government to concede linguistic parity to Urdu and Bengali, is a sharp reminder that boundary commissions are not always able to control the human urges that lie deep beneath the surface. Bengal had long been the problem province of the former British India, and the creation by Lord Curzon of a separate East Bengal administration from 1905 to 1911 merely served to emphasise the distinctive ethnic unity of the Gangetic delta. The causes of the partition in 1947 were quite different from those of 1905; but in both cases the operation was carried through in recognition of the existence of a Moslem peasant majority in the eastern wing of undivided Bengal and against the wishes of a Hindu minority—financially powerful, educationally far ahead of their Moslem brethren and by no means insignificant numerically.

Men are as much the victims of their administrative past as of any of the other forces of history. The Permanent Settlement of Bengal (1793) produced *inter alia* two consequences: first district administration never developed in Bengal as in other Indian provinces and Eastern Bengal, remote and riverine, especially lagged behind. Secondly, Bengal acquired an unusually high proportion of *bhadralog* or educated middle-class recruited from Hindu joint families with some financial interest in the land. Over the years it developed a strong local territorial patriotism and the focus of *bhadralog* interest was, and is, Calcutta, rather than Delhi. Likewise, the Moslem landowners of East Bengal and the few successful Moslem businessmen and contractors once considered it necessary to maintain an establishment in Calcutta such as they now support in distant Karachi. But for the Hindus of East Bengal the sundered bonds which they once had with Calcutta have not been replaced by new ties with Karachi, with which they have even less natural affinity than the 33 million Moslems of East Bengal. In differing measure the two Bengals present both Delhi and Karachi with problems of considerable perplexity. In India all Bengalis know themselves to be Indian; in Pakistan it is less certain that 9 million Hindus of East Bengal regard themselves as Pakistanis. It might even be that they consider themselves Bengalis first and Pakistanis only by documentation.

The Bengalis are the Celts of the Indo-Pakistan subcontinent. They have excelled in the arts and professions, and sometimes in administration, rather than in commerce and industry. Not easily assimilable in the mass, individual Bengalis and small groups, who have migrated outside their native state, have frequently risen to positions of high responsibility in public life. Rabindranath Tagore, Bankim Chandra Chatterji, Keshab Chandra Sen and, later, the artist Jamini Roy, are among the intellectual *élite* of a world that has passed or is passing. Moreover, they imbibed western culture without losing their own. Bankim Chandra's novels are the literary heritage of a generation of stylistic and vigorous young Bengali writers who are loath to forsake their mother tongue for Hindi, though the latter represents an expanding publishers' market. Politics and disputation are second nature to the Bengali, whose capacity for political invective develops accordingly. Gifted, individualistic, with little liking for manual labour and a low emotional flash point, the Bengali is not without considerable personal courage. But he can neither be regimented nor "pushed around," and his strong aversion to the discipline of the barrack square has led to unmerited slurs upon the Bengali character. That he has never been classified amongst the martial races of India does not mean that he is a coward.

How do these volatile people—an easy prey to alternate moods of exuberance and morbid depression—fit into the new pattern of the subcontinent? The answer is not very easy. In these first formative years, policy in Delhi and Karachi follows two main trails: political consolidation and economic advancement by industrialisation. Neither is wholly congenial to the Bengali temperament. In his *Annals of Rural Bengal* Sir William Hunter wrote "the Bengali bears existence with a composure that neither accident nor chance can ruffle; he becomes silently rich or uncomplainingly poor. . . . his resentment is enduring, but unspoken." Accident and chance have done much to Bengal in the ninety years since these words were written. Resentment is no longer unspoken and Bengal has totted up a lengthy list of grievances, some real and some imaginary, against the powers that be. All of them press heavily upon the declining living standards of the Bengali middle-class. Neither peasants nor artisans, the Bengali middle-classes enjoyed hereditary rights in a *rentier*-white-collar order that is rapidly disappearing in a welter of planning. It remains to be seen whether, in addition to his other qualities, the Bengali is also adaptable enough to meet the changing times.

Cards on the Table in Rio

FROM A CORRESPONDENT

THE Brazilian scene shows three features common in Latin America at the present time. First, the commercial and industrial groups, which have increasingly asserted themselves over the older agricultural and exporting interests, are realising that they are all equally dependent on a buoyant foreign trade. Second, there is a mounting distaste for certain government controls reputed to be operated with favouritism or worse. Third, inflation—which was allowed at large rather as a good genie—is at last seen to be turning on its masters, and there is talk of putting it back in the bottle.

Although Latin America's terms of trade have greatly improved since before the war, it has been fashionable policy to keep most of the benefits out of the hands of the farming and mining interests. In some countries the increased earnings have been dissipated in government spending; in others they have been used to support deficit state trading. In Brazil, until the middle of last year, they were largely transferred to the industrial sector by progressive overvaluation of the cruzeiro, which kept earnings from exports down and at the same time cheapened imports. In the end this policy brought about its own failure. Exports were inhibited, and a massive flow of imports put the Brazilian trade balance some £100 million in the red.

Senhor Aranha, after his appointment last year to the Ministry of Finance, analysed this and other trends with an objectivity possible only to one called in to remedy a disorder in which he has had no previous part. He introduced virtual devaluation, on the one hand by the addition of "bonuses" to export prices, and on the other by the auction of foreign exchange to be spent on imports of low priority. This caused exports to rise and imports to fall far more sharply in the last quarter of 1953 than mere seasonal movements would have warranted. This effect has been enhanced by the sale of stocks held up in 1952—in 1953 cotton exports, for example, were five times the meagre volume of the previous year. In addition the ill wind that swept polar air up the valley of the Paraná in June of last year brought about such a providential reduction of the coffee crop that, with prices up by half on last year, a greater dollar return has been achieved with smaller exports. And in the case of cocoa Africa's loss has been Brazil's gain.

Profits for Whose Pocket?

The new arrangements for selling foreign exchange by auction serve to channel profits on rare imports into the state's pocket, to ensure that no enormous arrears in overseas payments accumulate, but also to make the distribution of available foreign exchange as automatic as possible. The successful campaign of certain newspapers against the former methods of the Import-Export Licensing Department (CEXIM) had been largely partisan; but the fact that some politicians had such manifold business connections had made some ill feeling about the old system inevitable among competing importers not holding public office. Similarly, if no account be taken of such factors, some of the past fluctuations of rediscounts by the Bank of Brazil are as inexplicable as the path of the planet Mercury without the aid of relativity.

Senhor Aranha and public opinion may, between them, have put some of this right; but inflation, the finance minister's third problem, is a harder nut to crack. The cost of living, which rose during and just after the war mainly because of the positive balance of trade, rose by 6 per cent in 1950, 11 per cent in 1951, 16 per cent in 1952, and 14 per cent in 1953. The main internal support to inflation in the last few years has been the continuous expansion of credit, based largely on the deficit spending of central government agencies and of the states and municipalities. The means of payment increased by 30 per cent in 1950, 20 per cent in 1951, 18 per cent in 1952, and by 20 per cent during 1953. Patriotic economists often present the idea that "Brazil is trying to do too much at once" as the prime cause for the credit expansion, and thus of the inflation. Senhor Aranha, however, himself pointed out that much of this enthusiastic over-investment was in fact devoted to luxury or speculative building undertaken to disguise or safeguard earnings which inflation created and would otherwise as instantly destroy.

At first Senhor Aranha tried valiantly to interpose his authority between the printing press and the itching fingers of the bankers, but to no avail. Another step initiated by

him has been to fund much of the public debt by a loan on which interest and repayments are in dollar drafts at a rate of exchange which makes the effective return about 10 per cent. But Congress turned down another suggested measure—a tax to drain away all profits over 12 per cent of working capital and reserves.

The Bank of Brazil has itself recently restrained its loans to the public, but not, unfortunately, its advances to the Treasury. Loans by the banking system to the public have continued to rise at the same annual rate—some 18 per cent—as before the Finance Ministry and the Bank of Brazil came under new management. Prices continue to increase. New steps have recently been taken at the technical level—the rediscount rate has been raised, and banks must keep 8 instead of 6 per cent of their sight deposits with the Bank of Brazil. But these measures were tabled only two days before the May Day speech in which President Vargas announced that the minimum wage throughout the Republic would be virtually doubled on July 1st.

It is, undoubtedly, the President's duty to safeguard the interests of those who earn a miserable £12 per month in the capital (and less elsewhere)—all the more so in a pre-election year and after the dismissal of Senhor Goulart from the Ministry of Labour in February. Yet the result of a wage increase of this order, and, to a lesser extent, of the higher pension contributions also announced, is certain to be another upsurge of all wage costs and of prices. The President has assured his people that profit margins are already generous enough to absorb much of the increase. But in Latin America (and elsewhere) inflation is very largely a state of affairs in which people know that prices will continue to rise. Senhor Aranha was brought in by President Vargas to change this atmosphere ; but in playing his highest political card of the present rubber, the President may turn out to have trumped his Finance Minister's ace.

China's New Constitution

THE draft constitution of the Chinese People's Republic which was unanimously adopted by the Central People's Government Council on June 14th, should not be studied in the abstract apart from the existing facts of power in China. Drafted originally by the central committee of the Communist party and then passed with slight amendments through a special committee to keep up the appearances of "coalition" government, the new constitution is plainly intended to perpetuate not only the leadership of the Communist party on a permanent basis, but also the personal leadership of Mao Tse-tung.

The constitution lays down that "all power in the Chinese People's Republic belongs to the people," and the people (except for "feudal landlords and bureaucratic capitalists") are supposed to exercise electoral rights through universal suffrage, but their freedom of choice between parties is drastically limited. One article declares China to be "a people's democratic state led by the working class and based on the alliance of workers and peasants," and another article makes the "building a socialist society through socialist industrialisation and socialist transformation" the state's objective. Since the working class which is to lead the state is in China a small minority of the total population, the majority in this "democracy" is constitutionally left with no function but to follow the leadership of the designated minority, whether it approves of it or not ; moreover, since in Communist theory the Communist party alone represents the working class, leadership by the working class is also leadership by the Communist party.

The writing of "socialist transformation" (which means the expropriation, as soon as is expedient, of all privately owned land and capital) into the text of the constitution means also that it will be unconstitutional to oppose the social and economic policies of the Communist party ; and to make sure that nobody will presume too far on the principle that all power belongs to the people, article 19 lays down that "the Chinese People's Republic . . . suppresses all kinds of treasonable and counter-revolutionary activity and punishes all traitors and counter-revolutionaries."

All this is very similar to the constitutional forms of other Communist-ruled states, but in the provisions for the exercise of supreme authority in the state the new Chinese system diverges considerably from the model set by the Soviet Union. In the early days of the Bolshevik revolution, when theory was still strongly adverse to any recognition of a concentrated personal authority, governing power was vested in a Council of People's Commissars. Lenin became chairman of this Council, a position equivalent to that of prime minister, but he was not head of the state. After Lenin's death, Stalin's power was for many years exercised merely as secretary-general of the Communist party without official position in the state ; finally he became formally head of the government, in which status he has been succeeded by Malenkov, but neither has been head of the state. The Soviet system which separates the head of the government from the head of the state, with the latter lacking effective power, may be attributed in origin to the example of the French Third Republic.

CHANGES OF NAME IN NEW CONSTITUTION

Existing institution	*Future institution*
1. Chinese People's Political Consultative Conference.	1. National People's Congress.
2. Central People's Government Council.	2. Standing Committee of National People's Congress.
3. Government Administration Council.	3. State Council.
4. Revolutionary Military Committee.	4. National Defence Council..

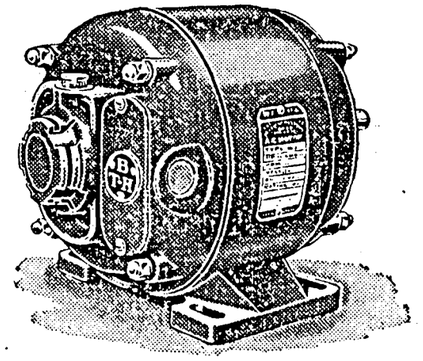
The Chinese, on the other hand, have been deeply influenced by the example of the United States presidency, and the new Communist constitution vests in the Chairman of the Chinese People's Republic far-reaching powers. He is, indeed, to be elected, not by direct popular vote, but by the National People's Congress ; he will, however, hold office for four years at a time, the duration of the Congress itself, and he will nominate the Premier of the State Council. He will be concurrently Chairman of the National Defence Council, and he can "whenever necessary" convene and preside over a "supreme state conference," which will apparently take the initiative on important matters of policy, overriding the authority of the State Council.

Thus, although the Chairman of the Republic will have to co-exist with a prime minister (the Premier of the State Council), his constitutional powers will resemble those of the American much more than those of the French president. It is clear that he is meant to hold supreme governing power, and not to be a mere ceremonial head of the state. For the masses of the Chinese people, conditioned by so many centuries of veneration for the "Son of Heaven," his position as head of the state will give him a unique prestige such as no mere minister could attain. Mao evidently means to stay where he is for the term of his natural life.

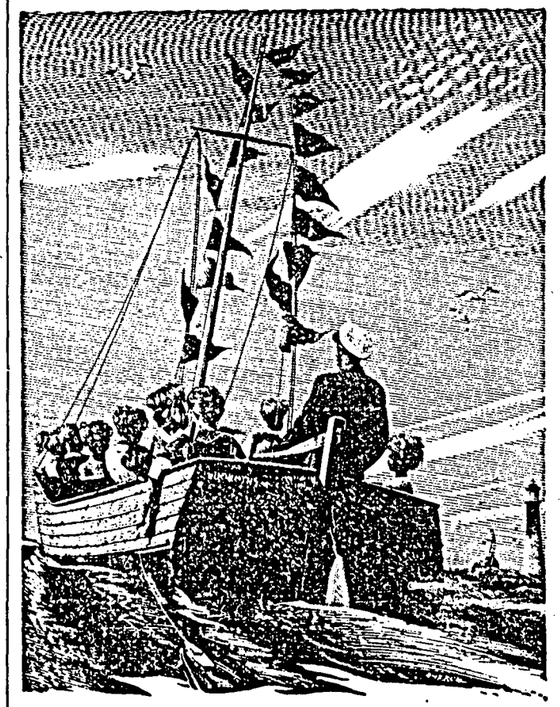
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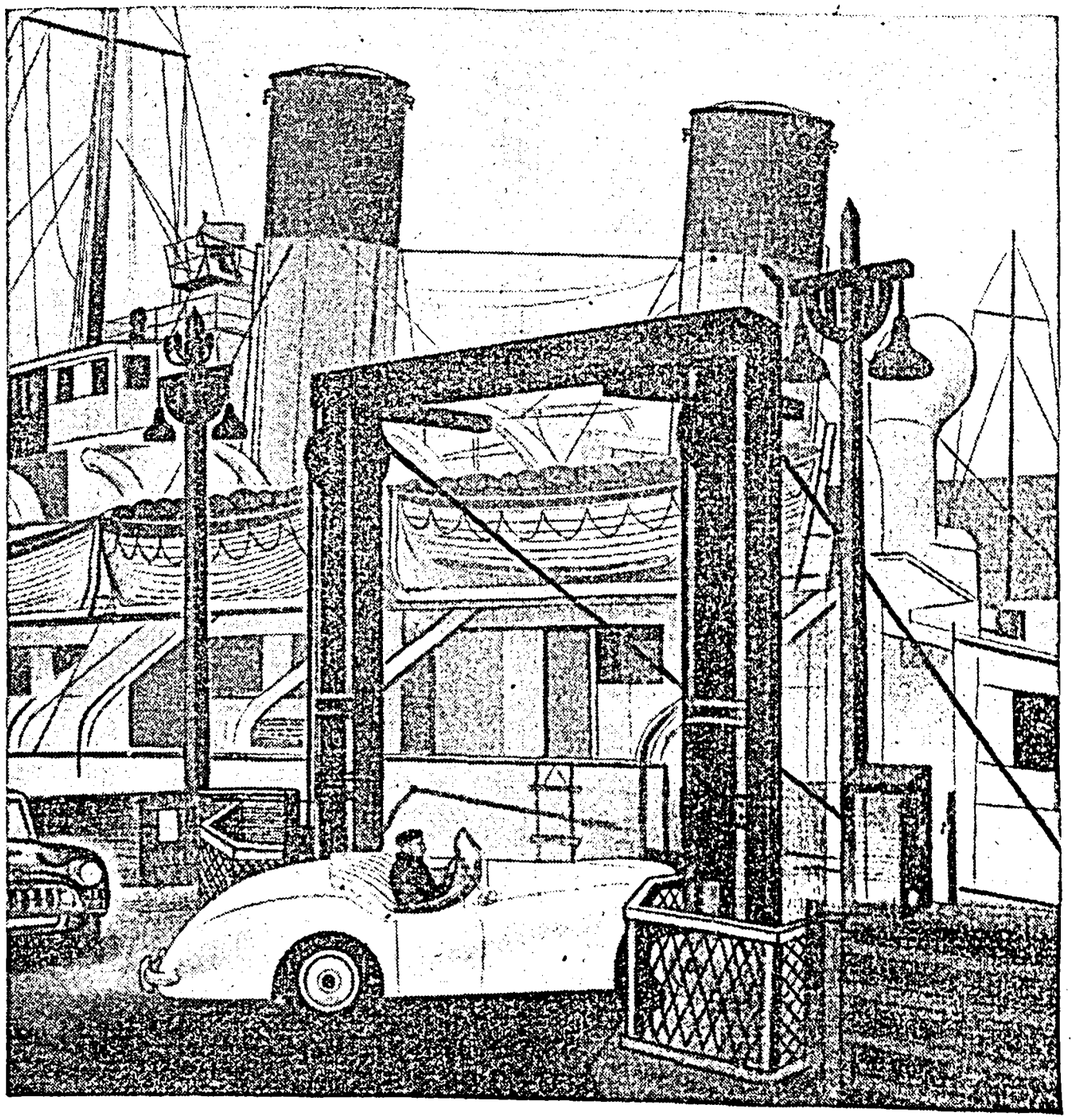


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THE BUSINESS WORLD

Atomic Energy and Industry

ON Sunday the Atomic Energy Authority becomes the new owner of the country's atom factories. Eight of the nine members to the board have already been appointed. In the House of Commons, the Minister of Fuel speaks confidently of "preparing the way for atomic power" and of advanced designs of nuclear reactors, of which construction will be undertaken within the next five years. The British Electricity Authority creates the new office of "nuclear power engineer." In the atomic plants, work continues much as before, but the three directors of the plants are now full-time members of the board of the Authority, and in future should have a vigorous sense of independence.

More is involved than a change of name and responsibilities. The powers and functions of the new Authority are not the same as those that were exercised by the Ministry of Supply under the Atomic Energy Act of 1946. The Atomic Energy Authority Act that received Royal assent on June 4th sets up a public corporation for atomic energy, but it does not create a nationalised atomic industry. The Authority takes over as a going concern from the Ministry of Supply all the atom plants in the country. These are shown on the map ; their payroll, excluding contractors' labour, amounts to nearly 20,000, with an annual wage bill of £12 million.

The Authority will indeed own these plants. The money to run them will continue to be provided by the Government but with this difference: it will not be concealed discreetly in the Ministry of Supply's Research and Development estimates, but will be voted annually by Parliament. The revised estimate for the current financial year is £53.7 million, including nearly £27 million for new plant and buildings. Capital costs must continue to bulk big in the Authority's expenditure for some time to come. These figures cover only its civil work. The cost of weapon research and production will continue to be borne by the Ministry of Supply.

There is no intention, however, that the Authority should necessarily be the sole owner of all atomic resources in the country and every intention that industry should be encouraged to play as big a part as possible in the new industry. This was a guiding principle in bringing the new Authority into being. The far-reaching powers given to the Ministry of Supply under the 1946 Act to control the production and use of atomic materials have devolved upon the Lord President of the Council, not upon the new body. In this it differs from public corporations such as the British Electricity Authority which has the exclusive right to sell electricity to the public in England and Wales. Nor does the Act assume that the Authority should have a *de facto* monopoly as the sole source of atomic knowledge. Three clauses give it important powers—

(a) to provide technical training;

(b) to sub-contract research to university or industrial laboratories;

(c) to give grants to assist the independent production or use of atomic energy and to aid atomic research.

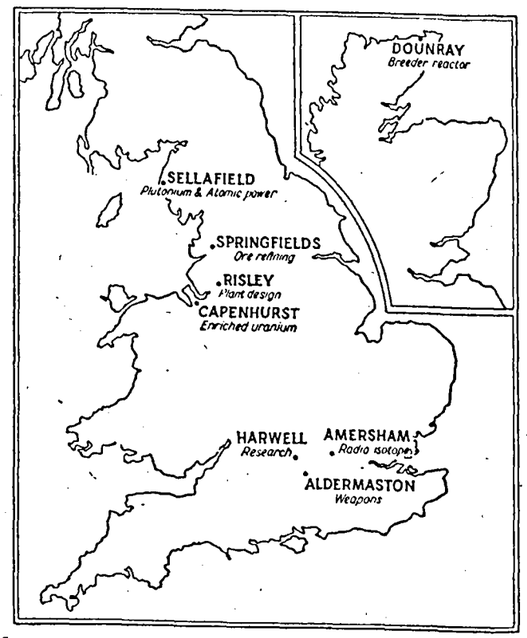
This opens the way for what it is hoped will become an increasingly close co-operation with industry.

"Atomic energy" is not used in the Statute book in the narrow sense of power generation alone ; the Act uses broader words—"energy released from atomic nuclei as a result of any process, including the fission process." Thus it covers all nuclear processes, whether they be power generation for electricity or for transport ; the production of plutonium (of which electric power is an expected by-product) or chemical processes based on atomic reactions. It becomes for the first time legally possible for any one of these activities to be undertaken by private industry unless the Lord President expressly forbids it. In particular it paves the way for the

building of atomic power plants by the British Electricity Authority. The first power plants, such as the one now being built in Cumberland, are essentially experimental and they will be owned and operated by the Atomic Energy Authority which will sell the power produced direct to BEA. The generating costs of this first experimental installation are estimated to average a penny a unit, which compares with capital and works costs for new steam stations in Britain of some ¾d. a unit. By the time the scientists are ready to hand over the job of building or running such power plants to BEA, impending improvements in design should in all probability have brought costs down.

The success of the new organisation will need to be measured not only by the number of atomic power plants that go up over the country, but by the extent to which private industry begins to participate directly in atomic development. Co-operation between the Authority and industry is not something that can be worked out overnight. Industry starts with a nine-year handicap. Even though the caretaker Department of Atomic Energy has been paving the way during the past months for the greater sub-contracting of development work, especially on projects connected with atomic power generation, the burden of what might be described as nuclear engineering has fallen on the staff of the atomic plants, who alone possess the necessary combination of theoretical knowledge and practical experience. With one or two exceptions, industry's main contribution has been to modify conventional end-equipment to the unconventional requirements of scientists.

Atomic Energy on the Map



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This phase should soon be nearing its end. The Authority takes over what might be described as a pilot-scale industry on the verge of a major expansion. Atomic scientists who have been wholly pre-occupied with the physical problems of making and handling fissile materials, the raw materials of their industry, are now able to raise their sights and explore the ways in which they can use what the Act describes as "the energy released from atomic nuclei." To do this successfully, the scientists will need the help, the co-operation and the technical know-how of industry, just as industry needs their assistance to adapt its processes to the new nuclear technology. The picture of an atomic Authority that would act as designer and originator of all nuclear developments, a source of blue-prints for the public service authorities here and overseas and for industries that will build plant to its tested designs seriously underestimates the eventual impact of nuclear technology on the industrial economy. The electricity authorities are not the only ones interested in atomic power, nor is the interest of other industries and countries confined to the building of power stations to supply their own factories and plants. There are the aircraft and shipbuilding industries; there is the chemical industry; there are the engineers whose skills need to be brought to bear on equipment that must work in conjunction with atomic piles. It seems hardly possible—for example—that research will fail to uncover a better method of harnessing the power of the atom than using it to boil water, to make steam, to drive electricity generators. The future of these industries is for better or worse linked up with the growth of nuclear physics. The atomic scientists are in a position to surmise how atomic energy can be applied in these different fields, but they lack the specialised knowledge of engineering design and operating technique just as industry itself lacks atomic knowledge. In the same way that liaison has been established between the caretaker Department of Atomic Energy and the British Electricity Authority, similar contracts will have to be made with selected companies in other industries.

The two tasks facing the newly formed board will be, first, the Authority's own capital plans and secondly, the best way of establishing this liaison with industry. There are many practical problems, and security is not the least of them; there may also be difficulties over finance and patent rights; there will, without question be problems of human relations. But these are minor difficulties compared with the importance to both sides of finding a satisfactory working association. It may at first be restricted to discussions between scientists and engineers about the best design approach to a specific task. But this must be expected to lead eventually to the design and construction of atomic-powered equipment by industry. It might be possible for the Authority to press ahead and invest its own

resources in every promising project, with the prospect of an exhilarating growth in the scale of its operations, but it seems more likely to make full use of its powers to delegate some atomic responsibilities to the appropriate industries at the earliest moment.

It depends on the initiative of industry whether co-operation will eventually evolve into competition. For some time to come designers will rely heavily on the Authority for technical advice. But companies closely involved in the application of nuclear techniques are not likely to remain indefinitely in a state of atomic tutelage. In the long run, industry may carry a considerable share of atomic research and development. Whether it does, and with what success, will depend on how soundly the new Authority lays the foundations for the "co-operation" that it was brought into being to promote.

Experiment at Wilton

No single industrial development in Britain since the war has continued to attract as much professional interest from top management in large-scale, multi-product industry throughout the world as a collection of diverse chemical plants set down together since 1946 on a greenfield site at Wilton on the south bank of the Tees estuary. The problems of expansion that faced the board of Imperial Chemical Industries towards the end of the last war were not unique. The Wilton experiment, ICI's answer to some of these problems, was unique when the decision was taken, and seems to be so still. If any potential imitators are awaiting a comprehensive verdict from ICI on whether the unorthodox organisation that it chose to employ at Wilton is the ideal one, they will have to wait some time. But the company has spent some £34 million on development at Wilton so far, and has another £25 million firmly in sight, to spend at some £9-£10 million a year; and "the order of £100 million," as the capital value of Wilton's installations in 10 to 15 years' time, crops up rather often in conversation there. That seems at any rate strong circumstantial evidence of ICI's confidence in its largest postwar experiment.

The problems which the Wilton complex of chemical industry was to answer can be stated simply. As a company, ICI is decentralised into twelve divisions, each operating with considerable independence in a separate field of chemical manufacture, and each with its own board and chairman appointed by the main board of ICI. By 1943 it was obvious that several of these needed to expand considerably after the war. Because they were already outgrowing their existing sites, or for other reasons, some of these divisions had to contemplate expansion on new sites. Suitable locations for modern chemical manufacture are not abundant in Britain, and the trend of amenity legislation was to make them rarer. Nor could separate new plants necessarily count on the integration of inter-dependent chemicals that the older plants possessed.

Economic and technical factors, therefore, pointed towards the concentration of much of this expansion on some large new site; but such a step might obviously have strained the functional organisation of the company. The solution was ingenious. It was decided to bring the plants together; but that each plant should remain a part of the existing manufacturing division, and under its complete control. Only the new site itself was to be managed centrally; it would offer common services—from process steam to accountancy—plus a plant construction organisation, to its manufacturing cousins that came to lodge there. It was to be governed not by a divisional board, but by a council upon which all these lodger divisions would be represented—the Wilton Council.

The site was perhaps a more obvious choice than the form of organisation. Tees-side had already been recommended tentatively as a site for any entirely new concentration of chemical plant for ICI. The emphasis at the beginning was upon a concentration of heavy organic chemical manufacture. It was becoming clear that in the future more of these hydrocarbons would be produced from oil instead of coal, and though these materials were produced by various of the existing manufacturing divisions, some companies might have chosen to establish a new division to manage all manufacture there. Was there a time when the Tees-side complex might have become a division—ICI Petroleum Chemicals? If so, that moment passed; the new concept of a common service site for all the divisions that chose to come was established.

Alternative sites were intensively studied, notably the Hull area. But Tees-side had most of what ICI needed. It had 2,000 level acres, but not too flat for good natural drainage; the subsoil was suitable to carry the plants envisaged; it was close to large supplies of good coal from Durham; there are large supplies of good water for cooling and processes, and enough drinkable water for the boilers and human beings that have more delicate palates. ICI has in fact put in a 1½ million gallon reservoir in the hilly ground above Wilton to give one day's supply in normal running (and pressure for 2 minutes' natural supply of water to all its fire services before the pumps take over). It is close to a highly-developed industrial area for the skilled labour that modern chemical industry requires, and in a scheduled development area where some labour should, in time (or in theory), be "released" from the declining Cleveland ironstone mines and the rationalisation of the steel industry. Local services are good. Wilton generates most of its own electricity (as a by-product of process steam), but it does some business at certain times, buying or selling power, with the grid, and it buys some town gas. Its transport services, by sea, rail, and road, are excellent. It is close to Billingham, the vast ICI

centre on the other side of Middlesbrough. It is hard to set these factors in any kind of order. The visitor may be mildly surprised to discover that the location of this chemical complex close to the deposits of Durham brine and anhydrite was by no means the predominant consideration. Such oddities are not unknown in the chemical industry. The original choice of Billingham, for example, as a site for synthetic nitrate production seems to have been clinched by the fact that a small local power station had electricity to spare.

The company took a year's option on the Wilton site in mid-1945. Early in 1946 it learned that Dorman Long had bought a 680-acre strip of land between Middlesbrough and Redcar separating the Wilton site from the Tees waterside, to build its Lackenby works. Some hurried negotiations followed by which ICI secured a ¼-mile-wide "corridor" across the Dorman Long land to the river frontage. Along this corridor it brings in oil from the Tees wharves and tank farm; exchanges intermediate products with Billingham through "the Link," a series of pipelines that dive in a tunnel under the Tees bed; and moves the solid and liquid effluents from its manufacturing plants out to a tipping area and river (the flow of effluent liquid being governed by a sidereal clock). Later ICI bought about another 2,000 acres of rough hill land adjoining the plant in order to secure "Wilton Castle," a late Victorian country house, as an administrative headquarters for planning the construction. Local and national authorities co-operated. The three local councils whose boundaries trisect Wilton have built houses for key workers, and there is a widely termed planning consent, even though this did require one major alteration in the layout originally intended.

Today there are more than a dozen of these manufacturing plants, belonging to six ICI divisions, at Wilton—though the interconnection and exchange of intermediate products among them make identification of "a separate plant" not wholly simple. They are fitted, as yet loosely, into the network of ring roads, the sidings that sweep in a curve from the Middlesbrough-Saltburn line of British Railways and the orderly tangle of pipelines, carried in vast concrete "duct" trenches below ground level, that have replaced the characteristic overhead pipelines of older chemical plants. The main item of manufacturing plant on the site is the Billingham Division's thermal oil cracker and olefines plant, from which ethylene is used for the plastics division's polythene plant and as one of the main ingredients for the "Terylene" plants now being built at Wilton. The other main products of the cracker, petrol refined to premium grade, propylene, and tail gases containing hydrogen and methane, are pumped to Billingham for further use or disposal. A paraxylene plant to provide the second main ingredient of "Terylene" depends partly on petroleum products from the cracker. Phenol and urea come from Billingham for the older plastics. The propylene from Wilton, converted into acetone at Billingham, finally returns as methyl methacrylate for Wilton's Perspex plant. The ethylene stream from the cracker also goes into Lissapol N, a synthetic detergent made at Wilton, into the glycol plant for ordinary sale and for "Terylene." It requires chlorine for conversion into ethylene oxide for these products, and one of the world's most modern chlorine plants has been set up on the site for this and other processes. The "Terylene" plant, not yet handed over to process management, is being doubled in capacity; a phthalic anhydride plant is under construction; and the synthetic "rubber-like materials" will come here, among other new ICI ventures.

To these plants, among others, the Wilton organisation offers engineering services, technical, accounting, personnel and clerical departments. It arranges for the transport of employees to and from the plants, feeds them there, supplies welfare and medical services. It will plan with divisional engineers and build to their requirements any item of plant; but the division is equally free to bring in outside consultants or contractors, and this seems likely to be done for the second oil-cracking unit. Only slightly over 300 acres have been covered on the 2,000-acre site. The manufacturing managements estimate their service requirements on the site as far in advance as possible and the Wilton managers plan to have them available in time; here the boiler plant, and the power-steam balance it involves, are among the main items in Wilton's own expansion plans. Of the 5,000 workers now employed at Wilton, more than half are still on construction, though the manufacturing labour force is growing—slowly, since much of the new plant put in is almost wholly automatic.

As an experiment in combining diversity and decentralised management with the advantages of concentration in chemicals manufacture, Wilton cannot but impress the outsider. To assess the eventual success of the common service organisation, in the long run, may be an extremely difficult task—in an industry where accountancy has inevitably to be arbitrary in its allocation of joint costs. Wilton transfers all services and materials at cost and therefore has no profit and loss account itself, proportionate shares of its overhead charges being allocated to each lodger division. As it continues to grow, some strains may be put upon the organisation formulated in 1946; its labour policy, for example, has to take careful account of possible conflicts between divisional and local loyalties. Wilton accounts for only about one-fifth of ICI's expenditure on new plant in Britain since the war, and there are various types of expansion for which it may never be chosen as a landlord. But the plants concentrated at Wilton today are operating most successfully, and for certain projects Wilton can offer room and services with greater convenience and lower costs than a manufacturing division could find anywhere else. The particular form of organisation chosen remains experimental; but ICI feels that Wilton could be successfully run in more than one way.

Business Notes

Rhodesian Loan Success

INVESTMENT markets have slipped back and then recovered. The surprising fact is not that they slipped back but that the check should have been so slight. If markets have lost some of their resilience they remain very strong. On Tuesday the *Financial Times* Index of Government securities was 116.15 compared with 116.30 a week earlier. The industrial index at 158.3 was actually a little above the figure of 157.8 a week earlier. Incidents in the Far East were occasions for pauses rather than for sharp breaks. In no section was this more evident than gilt-edged where good buying from the institutions was already making the beginnings of a further advance by Wednesday afternoon as soon as it became known that the first London loan of the Rhodesia-Nyasaland Federation had been a marked successs.

That issue of £10 million 4 per cent stock 1972-74 at £97 10s. was attractive to investors even in the relatively unfavourable atmosphere of Wednesday morning when the lists opened for a brief 5 minutes and were quickly subscribed approximately twice over, applicants for up to £1,000 receiving full allotment and larger applications about 48 per cent subject to a minimum of £1,000. It does not appear that the "stags" ventured out. The stock opened on Thursday at a small premium and quickly rose to ⅛ premium, a level from which the market would not be surprised to see it improve. In the more active markets of a week earlier the issue could easily have been an embarrassing success. As it was, it gave further evidence of the capacity of the gilt-edged market to handle the steady flow of gilt-edged issues which must be expected to continue, even if it slackens during the holiday months.

Among the prospective borrowers in that market is New Zealand which expects to make an issue for £10 million in London later in the year to provide part of the cost of a public works programme estimated to cost £71 million. The nationalised gas and electricity industries must also be expected to seek fresh capital soon.

Freer Commonwealth Markets

FURTHER plans for the dismantling of some of the import restrictions imposed by nearly all Commonwealth countries in the crisis of 1951-52 have been announced by New Zealand and South Africa. Mr Holland, New Zealand's Prime Minister and Finance Minister, announced last week in his budget speech that the dominion aims at abolishing its system of exchange allocations altogether at the end of the year, though imports are still to be restricted through the ordinary licensing procedure. This relaxation will put an end to the twin prongs of import control that New Zealand has operated since April, 1952. The total value of imports has been held to a percentage of imports in the base year of 1950 (for 1954 the percentage is 75) by allotting exchange to importers. In addition, certain goods have remained subject to specific licensing control. The list includes imports from the dollar area and Eastern Europe and imports of cars from all countries. The application of these restrictions has been substantially eased in recent months; imports of cars have risen substantially above the low level of a year ago, and in the spring specific relaxations were made in controls over imports from the dollar area.

The promise of further relaxations will certainly be welcome to British exporters. Despite the recent improvement in trade, exports to New Zealand at £58.7 million for the first half of this year, were still much below their level of £72.2 million in the first half of 1952. On a longer view, some fillip to sales of British goods in this market should be provided by the release of around £11 million of spending power through concessions in income tax and the sales tax announced by Mr. Holland in his budget speech.

The announcement of some further immediate relaxation of import control in South Africa is essentially a follow-up operation after the general increase of five per cent in import quotas made early this month. The present liberalisation is designed to relieve specific shortages of consumer goods. It will nevertheless prove useful to British manufacturers of mustard powder, infants' knitted cloths, watches and clocks, cutlery, lawnmowers, sewing machines, and fountain pens. Additional import permits are to be issued for these and a few other items; but total imports remain restricted by quota to less than half of imports in 1948, when import control was first imposed. The Governor of the Reserve Bank of South Africa, Dr de Kock, has however intimated that a substantial easing of import control may be expected next year—and perhaps also its total abolition in the not too distant future.

Wider Use of Sterling

AS usual the only important new material in the annual report of the Bank of England is that relating to the use of sterling in international trade. This year the figures are great news. They show an extraordinary expansion in the dimensions of sterling transfers between bankers and

traders outside the sterling area. These transfers, excluding those to and from American account countries and excluding also transfers between countries in the same monetary areas, amounted to £802 million in 1953 compared with £379 million in 1952, £463 million in 1951 and £298 million in 1950. The increase springs from three causes.

The first was the extension of arbitrage transactions between a number of European currencies in May, 1953. The arrangements at first applied only to spot transactions, but in October, 1953, they were extended to forward operations, normally for periods not exceeding three months. The compilers of the Bank of England report, speaking from first-hand knowledge, say: "The London Foreign Exchange market was quick to make use of the increased opportunities afforded by the introduction of European arbitrage." The second reason for the exceptional increase in the amount of sterling transferred between non-resident accounts was the extension, also in 1953, of the freedom by which sterling could be transferred between the accounts of authorised banks in all countries participating in the arbitrage scheme. Thirdly, the wide use of sterling in international trade was due to the further reopening of commodity markets, allowing merchanting transactions between non-sterling countries on a sterling basis. Such transactions, including those allowed under commodity market schemes, amounted to £142 million in 1953. That figure actually showed a small drop on the revised figure of £150 million for 1952. But the 1952 total was abnormally swollen by the hectic August fortnight of that year when for a brief and unrepeatable spell general sanction was given to resell to countries in the European Payments Union commodities bought with dollars. At the beginning of the twelve months to February, 1954, covered by the report, commodity market schemes had been introduced for cocoa, coffee, lead, raw sugar, rubber, tin and zinc. During the ensuing twelve months further schemes were inaugurated to cover dealings in copper and grain, and terminal transactions in wool.

The Bank's report provides a useful description of the place of the commodity markets in Britain's shop window. Before the war, the commodity markets in the United Kingdom formed an essential part of the sterling system. Although their direct contribution to the external income of the sterling area was by no means negligible, their chief significance was that they offered to holders of sterling in any part of the world a comprehensive range of basic products and that, together with the other main constituents of the system (the banks, shipping lines and the markets for money, freight, insurance, etc.), they provided the necessary services for the finance and movement of such products. Thus, these markets assisted in making sterling a currency for which its holders found constant and ready use.

"No" Again to Option Dealings

Is speculation an evil? The Council of the London Stock Exchange, by its renewed refusal to allow option dealings, implies that it is. On the Johannesburg Stock Exchange, where option dealings flourish, the contrary view seems to prevail. In the prewar London market there were no qualms; option dealing was well developed, specialised, and at times active. Option dealers used to meet the investor's hunch that such and such a share was likely to rise or fall by selling the "put" or the "call" or the "put and call" of the shares for a three months' run. Some jobbers used the facility to cover their short sales or to avoid taking too much stock on their books. Normally the option dealer would cover himself in part against his risk by buying or selling half the stock represented by his option transactions.

Clearly there is a strong speculative element in all option dealing by the public. The operator who buys the "put"—the right to sell at an agreed price—or the "call"—the right to buy at that price—is always hoping to make money on the rise or fall of the market. He is never investing for a dividend income. Equally clearly markets which include option facilities tend to be more active; the operator can deal with larger numbers of shares, for a smaller commitment. When, as at present, the market is active and brokers well employed, the demand for a resumption of option dealings is of interest mainly to the small group of prewar option specialists, such as the four jobbing firms and seven Stock Exchange members whose petition has now been refused. Indeed, a forceful argument could be adduced that a time of active markets and rising prices is not the best moment to widen the facilities for speculators.

But the Council has not used that argument; it has not used any argument at all. It says, with more emphasis than on previous occasions, that the application had been considered "from every point of view" and that the restoration of option dealing would not be in the best interests of the Stock Exchange. The public is left to guess whether the Council has independently decided to wash its hands of options, or whether it has tested the views of higher authority on what it may regard as an issue of public policy. Whether the Council has refused because it thinks that the timing of the request was wrong or whether at all times it would oppose options with their implied opportunity of making money on a falling, as well as on a rising, market, it is certain that the issue has not been settled for ever. These requests will continue to come forward from time to time. And sooner or later the occasion will arise when it will be beyond argument that a broader market, including a few more speculators, would help the City.

Squabbles in Wardour Street

The disputes in the British film industry that the Board of Trade last week suggested should go to arbitration are ultimately concerned with the division between exhibitors, renters and producers of the extra £3½ million of box-office proceeds that should accrue this year from the reduction in Entertainments Duty. The immediate deadlock has resulted from the preliminary positions for that bargaining that certain sections of the trade have adopted. In the normal commercial division of box-office revenues within the industry, the exhibitors would pay about 35 per cent in film rentals, leaving themselves some £2½ million of the extra net takings; from these extra rentals, the film renters would retain about £400,000, and pass on some £800,000 to film producers. On last year's form, perhaps £575,000 of this sum would go to foreign producers and

£225,000 to British. Any major adjustments to these shares would come primarily from alteration in the scale of the "Eady levy"—the payments that are made by exhibitors into a fund for distribution direct to producers of British films.

The present scale of levy has been running at some £2.8 million a year, and providing producers of British features with additional revenue equivalent to about 40 per cent of the total rentals paid on their films—perhaps 60 per cent of the amount that the producers themselves normally get from these rentals after distribution is paid for. The levy gives producers of short films additional revenues equivalent to about twice what they earn in the normal commercial way. This levy is still formally "voluntary"; it was renewed last autumn under the threat that if exhibitors would not consent to pay the Board of Trade would make it statutory. But the agreement reached in November stipulated that "failing any reduction in Entertainments Duty," the levy should be reduced from August this year to a scale that would yield only about £2.3 million a year to supplement the producers' earnings. The Cinema Exhibitors' Association chooses to interpret "failing" as "regardless of" the reduction in duty actually granted since; for this reason, and because certain conditional negotiations with the renters over scales of rental have not been completed, it has instructed its members, from next week, to pay levy only at the reduced scale—pending any agreement over adjustment of levy to share out the duty now remitted. The British Film Producers' Association argue that this is a breach of the November agreement, and have been supported by the two main cinema circuits with production interests, Associated British and the Rank Organisation; the Rank circuits, indeed, have resigned from the exhibitors' association. Several hundred cinemas, already, do not pay the levy at all, arguing that they cannot afford to; the cinema employees' union is demanding that before any other sections of the industry get any of the amount remitted in duty, their wages should go up; and the film technicians' union, emboldened perhaps by an extremely generous award on laboratory wages, is once again suggesting that one film circuit should be nationalised to favour British films. The situation in the British film industry, in other words, has returned to normal.

Hire Purchase Faces Competition

After the removal of the Board of Trade restrictions on hire purchase, traders are taking advantage of their new freedom to accept less than 33⅓ per cent as an initial payment and to spread the instalments over longer periods than 18 months on goods which were previously controlled. Terms have not yet settled down, but a rough pattern is emerging. The figures give an approximation of the current terms. There remains a fringe of easier terms offered by a minority of traders. There is also a substantial range of commodities that were not under control at the time when the Board of Trade order was withdrawn: furniture is still offered for a 10 per cent down payment with payments spread over one to two years according to the value bought. Pedal cycles were controlled on the basis of a maximum contract of one year and a minimum deposit of 25 per cent.

Trade associations have generally been diffident about offering advice to their members, not least because hire purchase terms depend both on the value of the goods bought and their durability. The Hire Purchase Trade Association has felt unable to give formal advice, though it maintains its traditional view that a substantial down payment is essential to satisfactory hire purchase trading; the Radio and Television Retailers Association has given unofficial support to the idea of a minimum deposit of 10 per cent and a maximum contract of 2 years. The most useful contribution so far comes from the representatives of the big stores, though not as the official policy of the Retail Distributors' Association. It is suggested that the department stores should make a principle of stating clearly the price charged. That implies a clear statement both of the cash price and what the customer has to pay on hire purchase—not merely

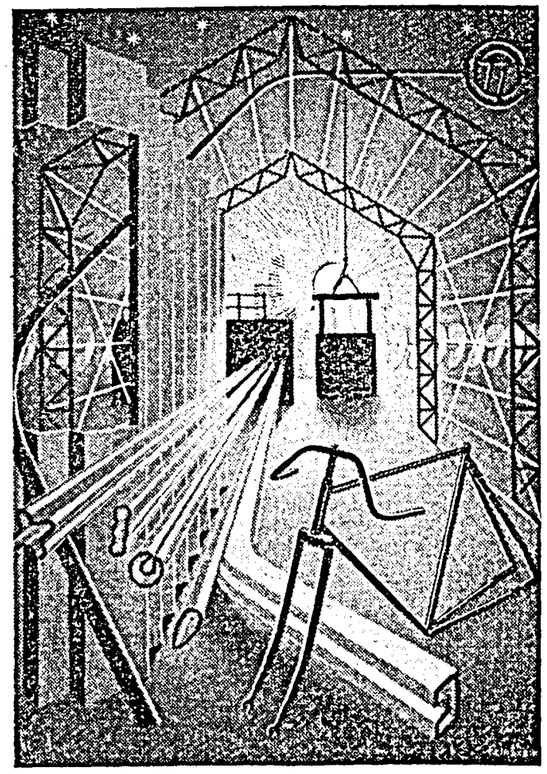
Article	Down Payment	Spread of Instalments
Motors (new)	25 per cent	2 years
Motors (second hand)	20 per cent	18 months
Radio	10 per cent	2 years
Refrigerators	10/15 per cent	3 years
Pedal cycles	£1	9/12 months

the down payment and the amount of each instalment but also the number and frequency of instalments, or a statement of the balance to be spread over the instalments. As a general rule it is suggested that the initial down payments should not be less than 10 per cent of the cash price and that the spread of the instalments should not be greater than two years, with the provisoes that for many types of goods higher down payments and shorter contracts are desirable and that department stores generally feel that single instalments of less than about £1 are not economic.

This is useful and careful thinking with which the other interests will not disagree. Much can be done by applying it to shop window displays and brochures by traders themselves. There may also be a further sequel. The newspapers have in recent years tried to exclude misleading merchandise descriptions from advertising copy. The idea is being mooted of enlisting their help on misleading hire purchase terms. Discussions between the Newspaper Proprietors Association, the Retail Trading Standards Association and the Retail Distributors' Association seem to be indicated.

Peak Output of Paper

Production of paper and board, which tends to move with business prosperity, rose to new postwar peaks in the first quarter of this year. Total output of paper was five per cent higher at 43,400 tons a week, which was 10 per cent above the prewar average. All the main types of paper shared in the increase except newsprint, output of which was almost unchanged at 12,200 tons a week, compared with a prewar average of 15,400 tons. The newsprint industry has been working at the limit of existing capacity, but has not yet replaced all the facilities destroyed during the war. Total output of board rose by about 4 per cent in the first quarter to 17,200 tons a week, which was 53 per cent above the prewar average. Supplies of paper generally are still somewhat



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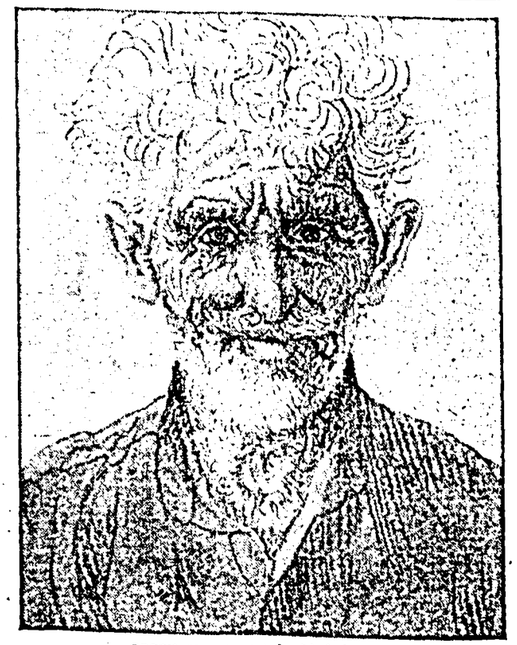
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below demand. For packaging paper, demand has been stimulated not only by the rise in industrial production and exports but also by the return to competitive markets in foodstuffs and the introduction of self-service stores. The growth of paper production was partly at the expense of stocks. Stocks of woodpulp for paper-making suffered more than the usual seasonal decline, dropping by nearly 20 per cent to 270,000 tons at the end of the first quarter and in April to 250,000 tons, equivalent to about 8 weeks' consumption. In May and June, however, stocks are believed to have risen by about 30,000 tons. Stocks of waste paper fell by 12 per cent in the first quarter to 80,000 tons, the lowest level since January, 1951.

The paper makers' profits have recovered sharply from the recession of 1952. Moreover the rise this time owes little to the artificial element of price inflation of stocks and their turnover on a rising market. Prices of Scandinavian woodpulp have risen only moderately in the last nine months, and prices for shipments made in the third quarter are the same as in the second. Paper-making activity appears to be limited only by the restrictions on imports of woodpulp. In the second half of this year, however, supplies should be rather larger than in the first half, assuming that prices remain unchanged. Imports of woodpulp from Scandinavia and North America have been set at more than £35 million cif, compared with a revised total of £30¾ million in the first half. Import quotas for all types of paper (excluding newsprint) and board have been raised from just under £15 million to about £15¾ million fob. Imports of newsprint, which are also controlled, are expected to rise by about 100,000 tons to 375,000 tons in the year ending next June. Together with about 400,000 tons from the home mills, the total supply of newsprint would be 775,000 tons, compared with a consumption of some 1.1 million tons before the war.

"Gussies" Bounding Profits

THE speculative type of investor who chose Great Universal Stores for his stake in the 1954 Stock Exchange boom can have nothing to complain about. All reasonable hopes have been fulfilled though not all the wilder market guesses: trading profits have jumped from £11.4 million to £15.5 million; the final dividend of 45 per cent on the Ordinary and "A" Ordinary shares makes a total of 60 per cent. Allowing for the 50 per cent scrip issue of last October this is equivalent to a rise from 33⅓ per cent to 60 per cent on the present capital. A further free scrip-issue, this time of 100 per cent, makes up the total of the investor's reward. The "A" ordinary 5s. units which stood at 51s. 9d. at the beginning of the year reached 85s. on Thursday, after the results were out.

"Gussies" have swum to prosperity with the help of two favourable currents: the rise in retail sales, and the growth of hire purchase trading. The second has been particularly marked in the furniture business and no doubt owes much to the housing drive. The preliminary figures do not show the volume of hire purchase debtors (last year £33.5 million) nor the volume of instalment credit sales (last year £7.5 million) but bounding profits suggest that instalment trading has continued to flourish. Even now shareholders see one more good hope in front of them. A sum of £1.5 million was again charged in the year ended March 31st for the now defunct Excess Profits Levy. That sum was greater than the net cost of the last year's ordinary and "A" ordinary dividends. So if the maintenance of profits can be assumed a larger sum should be avail-

	Year ended March 31, 1953	Year ended March 31, 1954
	£	£
Consolidated trading profit	11,386,271	15,487,741
Depreciation	748,486	781,312
Tax	6,746,550	9,197,490
Net consolidated profit—after tax	3,183,385	4,760,768
Ordinary dividend	732,982	1,346,907
Ordinary dividend (per cent)*	50	60
General reserve	1,542,203	2,292,797
Added to group carry forward	792,501	986,722

* 50 per cent scrip issue in October, 1953, ranks for dividend this year.

able next year—and even after the past year's heavy tax charges equity dividends were more than three times covered. Investors still recognise those prospects by buying "Gussies" to yield a shade over 3½ per cent, but after the great rise of recent months, the shares are bound to become more sensitive. One sign of that nervousness was the sudden dip of 2s. 7½d. in the price of the "A" ordinary units on Wednesday just before the results were announced. It suggests that the sellers were hardly steady-going long term investors and perhaps that a few of them had more stock than they felt certain of holding.

Productivity in Gas

THE new "Rochdale" process for making gas, which is now in commercial operation at the Partington works of the North Western Gas Board, has never been tried by the gas industry before, though it was first chanced upon as far back as 1917. That was in the course of work on the production of the explosive toluene (the second "T" in

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TNT); the process was put forward again in 1928 during experiments in steam economy. The "Rochdale" system is simple enough; it consists of injecting gas at the base of vertical gasmaking retorts in order to speed up the heating process and thus the rate of gas making and coal throughput. Ordinarily steam is injected to cool the coke before it is discharged from the bottom of the retort; the carburetted water gas used in the new system not only acts as a cooler it also carries most of the heat back up the retort for re-use. As a result, the time required for carbonisation is approximately halved and twice as much work can be got out of substantially the same plant—the few alterations needed add only about 5 per cent to its original cost. But coal accounts for a good three-quarters of gas-making costs. Preliminary estimates of costs based upon three years' development work and less than two months' production experience suggest that the extra gas obtained from Rochdale retorts will cost about a quarter to a third less than a similar quantity of extra gas obtained from orthodox retorts, but these are highly tentative figures. Any benefit gas users in the North West can expect to obtain from this economy will depend upon the rate and extent to which gas making plant is converted.

This process is also one of the ways in which the gas industry may be able to use lower grade coals for carbonisation. A Rochdale retort carbonises blended coals at almost the same rate that conventional vertical retorts carbonise good quality coals. The gas industry, which has been finding it increasingly difficult in recent years to obtain the grades of coal it has been accustomed to using in the past, has lately been experimenting with various ways of using lower grade coals, as well as other raw materials for gas.

No Industrial Code

THE report on human relations in industry, published last week by a sub-committee of the National Joint Advisory Committee to the Minister of Labour, contains nothing new, but it is nevertheless the first statement on this specific subject that has been issued jointly by employers, trade unionists, and the Government. The report repeats the call for greater efforts throughout all industry to maintain and improve relations between individuals, and it goes on to suggest that the Government and the press could be much more concise and consistent in their pronouncements, and that firms, employers' organisations, and trade unions should become more acquainted with the activities of professional and other bodies at work in the industrial relations field. Relations between employers' and workers' organisations in this country have improved considerably in recent years; what is now needed is similar improved relations at the factory level. The sub-committee rightly places the primary responsibility for this task with employers and management, who can do most to foster mutual respect and confidence by the way in which day-to-day problems are handled over a long period. Apart from exhortation, setting up suitable machinery where private arrangements have fallen down, and generally giving help where help is needed, there is little else that the Government can do.

This statement seems, incidentally, to be the last relic of the code of industrial relations that was drafted by the Conservative party in its Industrial Charter seven years ago. Early in the life of the present Government the Charter was examined by all government departments concerned and an industrial code was prepared. But the National Joint Advisory Committee, to whom the code was submitted, holds the view that codes of conduct for industry are not the best way of making further progress.

Coal for the Grate

UP to the middle of July, the recorded consumption of coal in Britain this year was nearly 4 million tons more than last year. Temperatures have been markedly lower—1.7 degrees down on the average of the first 28 weeks—while industrial activity has been booming. Production is now about 1¼ million tons higher than at this time last year, primarily on account of the normal day's work that replaced the Coronation holiday of 1953. The result has been a lower level of stocks, which at present total about 16½ million tons, two million tons down on the year.

Coal supplies have not yet limited the rise in industrial output; with a surplus of coal available on the Continent and tonnage easily available, there seems no reason why they need do so this winter, even if the National Coal Board has to import more coal than it originally planned. But if the present level of coal exports is to be maintained over the next year or two, and European coal consumption rises again, economy in fuel will become imperative. The National Industrial Fuel Efficiency Service, which was set up by the Government this year to carry out on a private basis the advisory work formerly done by the Ministry of Fuel and Power, should not be short of work.

The National Coal Board mentioned in its report this year that it had been replanning its marketing system against the day when rationing of domestic coal comes to an end. It does not believe that the lifting of restrictions would in itself increase domestic demand by more than about a million tons a year, as against estimates of 5 million tons that have been made fairly often by coal merchants. Householders have always had free recourse to electricity and gas to supplement their limited coal supplies; moreover, there are certain indications that rises in price are having an effect. In a recent study by the Department of Scientific and Industrial Research of numbers of houses where coal was burned in old grates and in the new "efficient" grates, little evidence was found that in practice householders either used less fuel or obtained more warmth; but there was some indication that consumption of all fuels had declined over the last few years.

Light Metals for Aircraft

THE titanium melting furnaces and handling plant that are to be installed by William Jessop and Sons at Sheffield will considerably increase capacity in this country for the forming of this expensive medium-weight metal, which can be rolled on mills that handle alloy steels. Opinion in this country does not seem to have reached final agreement upon the extent to which titanium will be required for high-speed aircraft in the ranges of speed now envisaged, in spite of the confident estimates in the United States that vastly increased amounts will be needed for military aircraft there in a few years' time.

The question whether titanium can be used in the early stages of axial compressors for aircraft gas turbines, where considerable strength is required at medium to high temperatures, may have repercussions upon demand for other metals elsewhere in the aircraft. As turbines become more powerful, the use of titanium might hold down weight without demanding drastic economies elsewhere in the airframe. But if stainless steel has still to be used, the extra power may be obtained only at the cost of considerable increases in weight, which will have to be offset elsewhere. This, in its turn, might require some replacement of aluminium alloy sections by magnesium alloys, which are about 30 per cent lighter.

Mining Finance Deal

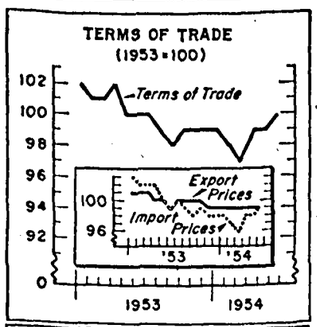
LARGE interlocking share transactions between the mining finance houses are a rarity. One occurred this week when Anglo-American Corporation of South Africa agreed to subscribe for a block of 199,108 £1 Ordinary shares in General Mining and Finance Corporation for £822,500—approximately £4 2s. 7½d. per share compared with a current market price of the General Mining shares of £3 19s. 4½d. per share. Moreover the new shares to be issued to Anglo-American will not participate in the dividend which General Mining expects to declare for this current year. The holding of Anglo-American in the General Mining equity will thus amount to about 9¼ per cent. Sir Ernest Oppenheimer, the chairman of Anglo-American, joins the General Mining Board and Sir George Albu, the chairman of General Mining, the Anglo-American board.

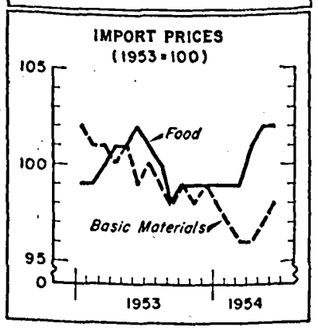
No general policy of mergers between the mining finance houses is to be foreseen from this development. It simply rounds off an operation on which General Mining was already engaged—the merger between General Mining and Strathmore Consolidated Investments. Strathmore is interested in mines—Stilfontein and Ellaton—of which part of the development has also been financed by Anglo-American. The proceeds of the share issue to Anglo-American will be used to buy a portfolio of securities from Anglo-American at current market prices.

Bristol and Shorts

THE Bristol Aeroplane Company's acquisition this week of a 15¼ per cent shareholding in Short Brothers and Harland prompts the question whether it is the first step towards a disposal of the government's substantial holding in Shorts. This holding is not affected by the Bristol acquisition, which is of 360,000 newly created £1 shares, for which Bristol have subscribed at a premium. Bristol also gets two new seats on Shorts' eight-man board. The other shareholders are Harland and Woolf, also with a 15¼ per cent holding, and the government whose holding shrinks from 82 per cent to 69¼ per cent.

The principal shareholders in Shorts were bought out by the Government during the war after complaints about the factories' rate of production. It has sometimes been difficult since the war to keep the company's 1.5 million square feet of factory space on a profitable footing, and since rearmament began in 1951 it has been largely occupied on sub-contracting for other manufacturers. Sections of Swifts are built there for Vickers; work has been done for de Havilland; complete production lines have been laid down successively for Canberra bombers, Comet IIs (at present suspended);

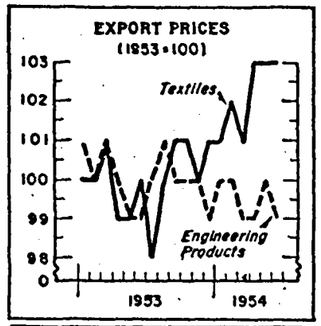


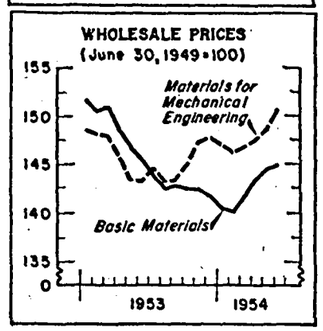


Price Puzzle

It is impossible to trace how the rise in world commodity prices has affected British industry. The charts can sketch only the broad movements. Import prices have risen 3 per cent since March while export prices have remained unchanged; hence the terms of trade have worsened (risen) slightly this year. The import and export indices, which are based on the declared value of goods at the port of loading, measure the effect at each end of the process (though higher domestic costs are not always passed on in export prices). The vital middle part—showing the change in producers' prices throughout the chain of manufacture—is something of a statistical no man's land.

The wholesale price index of basic industrial materials, excluding fuel, has risen 3.3 per cent since February. The wholesale price indices also record changes in prices of materials used by broad sectors of industry, such as mechanical engineering, together with changes in a rather motley collection of individual products. They do not record the movement of prices of composite products going into, or coming out of, the important engineering and capital goods industries. The government is trying to make available price indices to illuminate this crucial factor in Britain's export prospects. It is in industry's interest to support this venture.





and more recently preparations have been made for tooling on Bristol's behalf for a Britannia line. Short's own designers, however, recently won a production order for an unusually light and simple anti-submarine aircraft, the Seamew, and operations have shown a profit during the last two years.

Bristol Aeroplane's expansion at Bristol may be limited by the inelastic supply of labour in the district. The company's products are in the heavy class and take up a prodigious amount of assembly space. Meanwhile the number of different projects at Bristol is multiplying. This week's purchase of a shareholding in Shorts suggests that Bristol may have hopes of using some of the assembly space in Belfast as a overflow for work at Filton. Whether this is followed by closer integration between the two concerns will depend in part on the attitude of the government.

Standards Puzzle for Exports

AN unexpected hazard is being created for British exports by the fact that in some of their best markets, Governments are laying down national engineering standards. In some countries, such as South Africa, the standards that they draft are backed by mandatory powers, and one consequence of their enthusiasm for their work is that engineering exporters are faced with the need to adapt their products like chameleons to the different requirements of different markets. This is a direct contradiction of the avowed object of standardisation. It not only involves irritating minor modifications of engineering designs but when, as sometimes happens, the standard incorporates one of two competing methods of construction, an entire industry can sometimes be debarred from selling to that market.

There is international machinery for dealing with this situation; there are more than 30 national standards bodies and they are all members of the International Organisation for Standards at Geneva. Fairly successful efforts are made at Geneva to co-ordinate the standards of different countries, but these still seem to depend on initiating discussions while those standards are still in draft form. Since the new standards have a tendency to appear in some of the best British export markets, the British Standards Institution has set up a new export panel consisting of representatives from the main exporting industries. It is hoped that through their sales organisations, companies in these industries will be able to give the panel advance information of the likely commercial effects of draft local standards, so that the BSI can either discuss them direct with its local counterpart, or set the Geneva machine in motion. The BSI's two main objects in this are to prevent the appearance of standards that favour the engineering practices of one of Britain's competitors over British methods, or of standards that will, consciously or unconsciously, protect local industries against imported goods by making the requirements impossibly complicated.

Mercury in Atomic Power Plants?

MERCURY, that little silvery blob at the end of a thermometer, appears to have met a new need of man in the production of atomic energy. That is believed to be the reason why the United States government has been buying all the mercury it can lay hands on, and why it is seeking to expand production of the metal at home and abroad. As a result, the price has risen spectacularly, even for this most volatile commodity. In the last seven months it has soared from just over £60 to a record £100 a flask of 76 lbs. In comparison, production costs in the two largest producing countries, Italy and Spain, are probably less than £25 a flask. Towards the end of last year the American government, which hitherto had bought fairly large quantities at irregular intervals, placed forward contracts with Italy and Spain, and with Yugoslavia. The total quantity was some 80,000 flasks, equal to roughly half the world output, for delivery by about the end of May. The United States has also helped to finance the re-equipment of the mines in Spain, where output is expected to double and reach about 80,000 flasks a year in 1955. The American authorities are now trying to expand production in Italy. And this month they announced that until the end of 1957 they would buy up to 200,000 flasks at a guaranteed price of $225 (£80) a flask from domestic producers and from Mexico.

The urgent need of the United States for mercury is illustrated both by this high guaranteed price and by the fact that until now it has appeared to be reluctant to draw upon its limited domestic resources. A possible use of mercury in atomic energy would be as a heat transfer medium from the pile to the generating plant. There is already a technique for using mercury vapour instead of steam to drive turbines. Even one experimental plant using mercury as a heat exchanger would require very large quantities. In this country, gas will be used to transfer heat from the atomic pile to the generating equipment, and liquid sodium may be tried later. However distressing the present price may be for the major commercial users of mercury, such as the makers of chlorine and of mercurial salts for pharmaceutical preparations, a period of high prices seems assured for some years. In time the expansion of production may bring about some decline in the price, or another element may be substituted for its use in atomic processes.

SHORTER NOTES

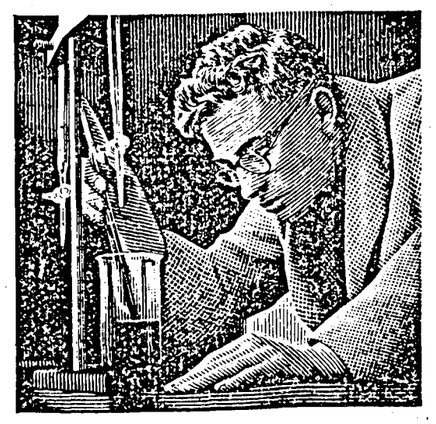
In an attempt to settle disputes over miners' pay in Yorkshire that have caused a large number of unofficial strikes in recent months, the National Coal Board and the National Union of Mineworkers have agreed to experiment at two or three pits in the area with alternative methods of increasing pay—a higher basic rate per ton with allowances for individual conditions of working, and a "consolidated rate" per ton that will cover the special conditions for which allowances are normally paid.

★

The Board of Trade has brought up to date its booklet, "Exporting to the USA" (3s. 6d. net), a handy summary of essential information on selling in that market.

★

In reply to a question in the House of Commons last week, the Minister of Transport announced that he was proposing to consult representatives of industry about the increasing number of large indivisible loads carried by



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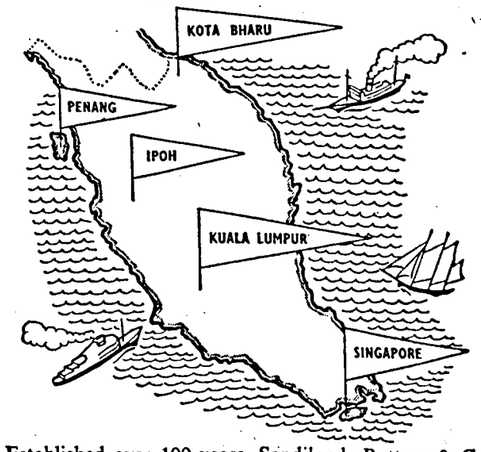


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vehicles. Complaints about the congestion that these road- and often slow-moving loads cause have been growing bulk- in recent years.

★

The composite rate of income tax paid by the building societies in respect of share and deposit interest is to go up for the current financial year by 3d. to 5s. 1d. in the £.

Mr Heathcoat-Amory, speaking for the last time as Minister of State, Board of Trade, told the American Chamber of Commerce in London that about half Britain's imports in 1953 from North America are now free from licensing restrictions. Of equal significance, about a third of the imports from the United States in 1953 were manufactured goods. He again expressed the Government's disappointment at the slow progress of the American policy for freeing trade.

Company Notes

NCHANGA. Last year was most eventful for Nchanga Consolidated Copper Mines, perhaps even more eventful than for the other Rhodesian copper producers. The company was formally incorporated as a Northern Rhodesian company. It had to adjust its operations to the re-opening of the London Metal Exchange for dealings in copper. It attained a production rate of 120,000 long tons a year, even more than the rate that the third stage capital extensions were designed to permit. Finally, it decided to embark on the fourth stage of its development programme.

The reversion to normal trading through the market meant that part of the company's production of copper was absorbed in re-filling the "pipeline" to consumers. Even so sales went up from 90,150 to 101,238 long tons, income from sales from £23.7 million to £26.6 million, and the company's gross profit from £14 million to £14.2 million. Nchanga already had £750,000 in reserves, appropriated against the eventuality of free dealings in copper, and this sum has now been written back into the profit and loss account. This sum, together with £500,000 from tax provisions no longer required, brought the year's disposable net profit up to about £10 million. Of this sum, £7 million was paid out in ordinary dividends (which were 100 per cent, compared with 75 per cent in 1952-53).

Looking to the future, the chairman, Sir Ernest Oppenheimer, suggests that "there appears to be no immediate prospect of a weakening of the market." Nchanga, like the other producers, has sold most of its copper forward and Sir Ernest does not expect much difficulty in selling the uncommitted balance. But the company has made one important administrative change. It has arranged with its "progenitor," Rhokana, to pool the entire output of the two companies; sales will then be made jointly from that pool. The maintenance of stocks of the different sizes and qualities will thus be simplified and, since duplication will be eliminated, total stock requirements will be reduced.

Another pointer to the future is that the company has decided to go ahead with the fourth stage of its development programme. These developments will cost about £2½ million but they are not designed to increase the rate of copper production and must apparently increase costs. It is intended to maintain the current rate of production but to spread mining operations more evenly across the high and lower grade bodies of ore. All these arrangements strengthen Sir Ernest's conclusion that Nchanga has now reached "maturity" and that the next few years will be a period of consolidation rather than expansion.

★

GENERAL ELECTRIC. The unexpected increase in the ordinary dividend of General Electric Company from 11¼ to 12½ per cent and the announcement that net profits had almost doubled (rising from £1,266,054 to £2,364,345) in the year to March 31st added 3s. 6d. to the price of the £1 ordinary stock units, putting them on a yield basis of 5 per cent at the current price of 50s. The announcement also gave a fillip to other electrical equipment shares.

	Years to Mar 31, £ 1953	£ 1954
Consolidated earnings:—		
Trading profit	6,519,615	8,264,047
Total income	6,709,306	8,456,198
Depreciation	1,151,517	1,300,055
Taxation	2,964,180	3,413,573
Net profit	*1,266,054*	*2,364,345*
Exceptional credits	2,827,033	468,823
Ordinary dividends	716,347	808,187
Ordinary dividends (per cent)	11¼	12½
General reserve	825,000	1,005,551
Stock reserve	1,032,400	10,400
Plant replacement reserve	500,000	250,000
Added to group carry forward	774,304	543,680
Cons. balance sheet:—		
Fixed assets, *less* depreciation	12,793,951	13,866,306
Net current assets	33,727,823	34,664,288
Stocks	38,102,111	34,288,107
Cash	1,547,369	1,453,231
Bank overdraft	4,349,966	998,741
Reserves	22,571,438	24,474,260
Ordinary capital	11,755,440	11,755,440
£1 ordinary stock at 50s.	*yields £5 per cent.*	

The full accounts of GEC show that the increase in net profits and in the ordinary dividend was based upon a marked expansion in trading profits (from £6½ million to £8½ million). This advance in profits was due to a rise in turnover both in capital and consumer goods. Indeed, many of the company's profit margins were lower, for both at home and abroad the group found it impossible to recover in its selling prices the wage increases granted in the engineering industry. In spite of the increase in sales, the group reduced its stocks by about £4 million to £34½ million, which made possible a reduction in bank overdrafts from £4.3 million to just under £1 million. Steadier prices and easier raw material supplies have thus made it possible to economise both in working stocks and in finance.

This is a story of the past and the remarks that Sir Harry Railing has to make about the future suggest that some slight qualification may have to be added to the initial reaction of investors. The group's order book is "still satisfactory," but Sir Harry again draws attention to the dangers of competition overseas, particularly in the market for electrical capital goods. He hopes that the improvement in the sales of consumer goods may help to counterbalance this threat, but he adds that an expansion in production will be needed if the further wage increases recently granted are to be absorbed.

★

JOHN BROWN. The preliminary results of the shipbuilders and marine engineers, John Brown and Company, disappointed investors. The ordinary dividend, which, as usual, was declared tax-free, was left unchanged at 7½ per cent, though the group's net earnings had risen from £630,315 to £707,294. After the announcement the £1 ordinary shares were marked down by 9d. to 37s. 6d., to offer a yield of 7.2 per cent. The yield is high, for order books in the shipbuilding industry are thinning out even though good profits from old contracts are still being earned. Not too much should be made of the latest increase in profits because contracts are completed at irregular intervals and the earnings accruing from them also come into the profit and loss account irregularly.

Beyond its major interests in shipbuilding and marine engineering, John Brown has long had an interest in the manufacture of machine tools and in high grade steels. It is now adding to these interests by acquiring from A. C. Wickman (Canada) its "business and assets relating to the manufacture of tungsten carbide equipment, and its business as agent and factor for machine tools." This acquisition appears to be a natural development of the interests that John Brown already has in Canadian industry,

through Firth Brown Steels and Firth Brown Tools (Canada). But it is the prospect for the shipbuilding industry on which shareholders must chiefly assess the value of the shares.

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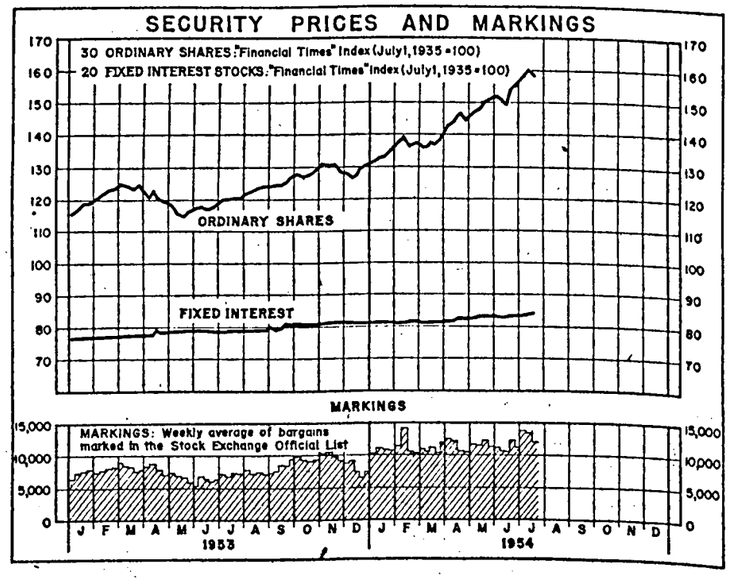
AMALGAMATED ANTHRACITE. Before coal nationalisation about 80 per cent of the Welsh anthracite output was raised and sold by Amalgamated Anthracite Collieries whose profit record, even in free enterprise days, was a bed of thorns rather than of roses. After nationalisation the company decided to lick its wounds and carry on as coal distributors, builders' merchants, wagon repairers and carbon black manufacturers. Gradually it has been pulling round and the capital reorganisation scheme of this spring was designed to put it on a new footing. The 4s. ordinary stock units were to be written down, so that each four of them would become 5 1s. ordinary stock units and the £1 3½ per cent participating preference units to 16s. 8d., of which 15s. was to become 6 per cent non-participating preference stock and 1s. 8d. ordinary stock. This was based on the assumption that the profits before tax for 1953 would be not much less than the 1952 figure of £365,000 (excluding special non-recurring items of about £114,000).

The figures now announced subject to audit show that that hope has been more than fulfilled. The net profit before tax for 1953 was £382,243; there was a non-recurring credit from previous years of £72,600 and including that a net profit after tax £265,956. This enables the group to make the payments to shareholders that were promised if profits were up to expectations. Preference shareholders receive an additional one per cent before reorganisation of their capital; this starts them off on a basis equal to the full 6 per cent on the reorganised capital. A dividend of 3 per cent on the ordinary stock, after reorganisation, is also declared in respect of 1953 and the first half yearly dividend of 3 per cent on the preference capital after reorganisation in respect of the first half of this year is also announced.

★

CABLES INVESTMENT TRUST. The interlocking group of investment trusts under the chairmanship of Sir Edward Wilshaw has seen in the lifting of the ban on new issues by investment trusts an opportunity for expanding its portfolios and activities. The prologue to the new issue is the announcement that in the year to June 30th the net income of both Globe Telegraph and Trust Company and Cables Investment Trust—controlled jointly by Cable and Wireless (Holdings) and Globe Telegraph—have risen and both trusts have decided to increase their ordinary dividends from 8 to 9 per cent. The new issue arrangements are that Cables Investment Trust will place privately £1 million of 4 per cent unsecured loan stock and will increase its equity capital of £2 million by a £500,000 issue to Cable and Wireless (Holdings) and Globe Telegraph. In turn, the directors of Globe Telegraph are contemplating a new issue of shares to stockholders and they hope to make a further announcement before the end of the year.

The effect of this arrangement is that the subsidiary by raising prior charge capital on comparatively cheap terms provides a cushion for the equity earnings of its parents. The investment of the new funds should naturally increase the earnings cover on the ordinary dividend of Cables Investment Trust. Therefore it should enable the parent company, Cable and Wireless (Holdings), to distribute its own earnings almost up to the hilt. In all it is a sensible scheme.



LONDON STOCK EXCHA

Next Account begins / August 1.
Next Contango Day: August 11
Next Settlement Day: August 17t

THE stock market began the week on a dull note, but on Wednesday the Suez agreement and the better tone on Wall Street brought a rally. In the gilt-edged market, the biggest losses were reported in the undated issues which lost as much as ¾ of a point in dealings in the first two days of the week. On Wednesday, however, the prompt over-subscription of the Rhodesia and Nyasaland lists gave the market a fillip and produced gains of up to ⅞ of a point among the undated and long dated stocks. The chief feature of the banking sector was the abrupt movement in the price of the shares of the Mercantile Bank of India. After the announcement that the bank's shares were to be sub-divided and that a free scrip issue was to be made the "A" shares rose by 11 to 40; but on Wednesday profits were taken and the "A" shares came down to 37½. Little interest was taken in foreign bonds and the price of the German and Japanese issues tended to fall; by contrast the 7 per cent Polish stock appreciated (a reflection, it was reported, of buying in a market short of stock).

In the industrial market the biggest losses were reported on Tuesday. Price movements on Wednesday were usually small, but the undertone was firm. Store shares rallied well, and textiles, tobacco, electrical equipment, while building material issues were also firmer. Dealers reported a good demand for Stewarts and Lloyds, which advanced on Wednesday by 1s. 3d. to 2s. 6d. premium. In the brewery market, Watney's shares rose by 1s. 6d. to 65s. 9d. after the announcement of the possible sale of the site in Pimlico. Oil shares were dull at first, but rallied later. Tea shares advanced all along the line in response to the continued firmness in the price of tea. Turnover in the Kaffir market was higher than it has been for some weeks. Continental and professional support contributed to the rise in the prices of the OFS and Far West Rand issues.

FINANCIAL TIMES INDICES

1954	Security Indices: Ord.*	Security Indices: Fixed Int.†	Yields: 2½% Cons.	Yields: Ord.
July 21...	158·2	116·31	3·64	4·94
„ 22...	158·5	116·35	3·65	4·98
„ 23...	159·5	116·33	3·65	4·96
„ 26...	159·2	116·21	3·65	4·97
„ 27...	158·3	116·15	3·64	4·96
„ 28...	159·2	116·18	3·67	4·97
			Total bargains 1954	
1954, High	160·8 (July 15)	116·35 (July 22)	July 21	11,574
„ Low..	131·1 (Jan. 1)	111·78 (Jan. 5)	„ 22	10,515
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 23	12,058
„ Low..	113·9 (May 20)	105·68 (Jan. 5)	„ 27	12,345
			„ 28	11,248
				10,365

* July 1, 1936 = 100. † 1928 = 100.

LONDON ACTIVE SECURITIES

1954 High	1954 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, July 21, 1954	Price, July 28, 1954	Net Yield, July 28, 1954 §	Gross Yield, July 28, 1954
					£ s. d.	£ s. d.
100⅛	99⅞	Exchequer 2½% 1955	100⅜	100⅜	0 15 11	1 14 4
105⅛	101⅛	Exchequer 3% 1960	105⅛	104⅛•	0 14 10	2 0 8
104⅛	99⅛	Exchequer 3% '62-63	104⅛	104⅛	1 3 3	2 10 10
100⅞	99⅛	Serial Funding 1½% 1954.	100.0.10	100/0/9½	0 4 11	1 11 8
100⅛	99⅛	S. Fdg. 1½% 1954 Ass. Exc.	100	100	1 7 8	2 10 4
101⅛	99⅛	Serial Funding 2½% 1957.	101⅛	101⅛	0 13 7	1 14 11
101⅛	100⅛	Serial Funding 3% 1955..	101⅛	101⅛	0 3 9	1 14 9
101⅛	100	War Bonds 2½% '54-56..	100⅛	100⅛	0 18 8	2 0 6
101⅛	100⅛	Funding 2½% '52-57	100⅛	100⅛	1 5 5	2 11 1
100⅛	100⅛	Nat. Def. 3% '54-58	100.3.5	100/2/10	...	1 9 7
102⅛	101⅛	War Loan 3% '55-59.....	102⅛	102⅛	1 5 11	2 14 3
100⅛	95⅛	Savings Bonds 3% '55-65.	99⅛•	99•	1 14 10	3 1 10
101⅛	97⅛	Funding 2½% '56-61	101⅛	101⅛	1 3 11	2 7 3
97	92⅞	Funding 3% '59-69	96⅞	97	1 18 5	3 6 8
98⅛	93⅛	Funding 3% '66-68	97⅛•	97⅛•	1 16 4	3 3 8
97⅛	97⅛	Funding 3½% 1999-2004 .	97⅛	97⅛	2 0 4	3 12 6
105	100⅛	Funding 4% '60-90	104⅛	104⅛	1 8 0	3 4 9
6⅛	90⅛	Savings Bonds 3% '60-70.	96⅛	95⅞•	1 19 10	3 7 5
6⅛	90⅛	Savings Bonds 2½% '64-67	95⅛	95⅛	1 16 10	3 0 6
101⅛	101⅛	Victory 4% '20-76.....	105⅛	104⅛•	1 15 9	3 10 4
9⅛	87⅛	Savings Bonds 3% '65-75.	93⅛•	94⅛•	1 19 9	3 7 8
97⅛	93⅛	Consols 4% aft. Feb. '57.	97⅛•	97⅛•	2 5 3	4 2 2
92⅛	84⅛	Conv. 3½% aft. April '61.	91⅛	91	2 2 7	3 17 11
102⅛	99⅛	Conv. 3½% 1969	102⅛	101⅛•	1 16 5	3 7 5
100⅛	99⅛	Conv. 2% 1958-59.....	100⅛	100⅛	0 19 9	1 17 10
69⅛	63⅛	Treas. 2½% aft. April '75 .	68⅛	68⅛	2 0 6	3 14 1
80⅛	74⅛	Treas. 3% aft. April '66 ..	81	80⅛	2 1 2	3 15 4
99⅛	92⅛	Treas. 3½% '77-80	99	99⅛	1 19 5	3 11 4
99⅛	92⅛	Treas. 3½% '79-81	98⅛•	99⅛•	1 19 2	3 10 9
90	83	Redemption 3% '86-96....	90	89⅛	2 0 8	3 10 3
91⅛	84⅛	War L'n 3½% aft. Dec. '52	90⅛	89⅛	2 2 11	3 18 4
69⅛	63⅛	Consols 2½%	68⅛	68⅛	2 0 5	3 13 6
95⅛	88⅛	Br. Elec. 3% '68-73.....	95⅛	95⅛	1 19 10	3 8 4
94⅛	87⅛	Br. Elec. 3% '74-77.....	94⅛	94⅛	1 19 5	3 8 1
109⅛	103⅛	Br. Elec. 4½% '74-79.....	108⅛	109⅛	1 16 5	3 13 7
100⅛	93⅛	Br. Elec. 3½% '76-79.....	99⅛	100⅛	1 18 9	3 10 8
90⅛	83⅛	Br. Trans. 3% '78-88.....	90⅛	90	2 1 4	3 10 5
95⅛	88⅛	Br. Trans. 3% '68-73.....	95⅛	95⅛	1 19 11	3 8 5
105⅛	100⅛	Br. Trans. 4% '72-77.....	104⅛	105⅛	1 17 9	3 13 0
90⅛	84⅛	Br. Gas 3% '90-95.....	90⅛	90	2 0 6	3 9 11
102	96⅛	Br. Gas 3½% '69-71.....	101⅛	101⅛•	1 16 10	3 9 1
105⅛	99⅛	Br. Gas 4% '69-72.....	104⅛•	105⅛•	1 16 2	3 11 1

Prices, 1954 Jan. 1 to July 28 High	Prices, 1954 Jan. 1 to July 28 Low	Last Two Dividends (a)	(b)	(c)	ORDINARY STOCKS	Price, July 21, 1954	Price, July 28, 1954	Yield, July 28, 1954
								£ s. d.
49/-	42/3	16	c	5 a	BANKS & DISCOUNT	48/6	48/6	4 2 6m
65/6	58/9	14	c	7 a	Barclays £1	65/-	64/-	4 7 6
84/6	74/9	8	b	8 a	Lloyds 'A' £5, £1 pd...	82/6•	82/6•	3 17 7
81/6	72/7½	8½	b	8½ a	Midland £1, fully pd...	80/6	80/6	4 4 6
91/9	79/6	18	c	10 a	N. Prov. 'B' £5, £1 pd.	90/-•	89/-•	4 0 11
126/3	92/-	17½	b	7½ a	Westminster £4, £1 pd.	117/6	125/-	4 0 0
49/3	40/10½	5	b	5 a	Alexanders £2, £1 pd..	47/6•	48/-•	3 2 6v
55/6	44/6	5	b	5 a	Nat. Disc. 'B' £1.....	50/-	53/-	3 15 6
45/-	37/6	4	b	4 a	Union Disc. £1.....	43/-	44/6	3 11 11
45/7½	40/3	7	a	7 b	Barc. (D.C.&O.) 'A' £1	42/6	42/6	6 11 8
					Chart. Bk. of India £1			
9¼	9⅛	50	a	85 b	INSURANCE	14⅛	14⅛	2 6 7
22⅛	20½	20	a	40 b	Leg. & Gen. £1, 5/- pd.	21⅛	22⅛	4 18 7
43⅛	35⅛	105	c	112½ c	Pearl £1, fully pd.....	42⅛	42⅛	4 15 8
					Prudential 'A' £1.....			
31/3	125/-	33	b	10 a	BREWERIES, ETC.	126/10½	126/10½	6 15 7
20⅛	17/4½	7½	a	17½ b	Bass £1.....	22/6	22/9	4 7 11
35/3	31/-	11	b	8 a	Distillers 4/-.....	35/-	35/-	5 8 7
84/3	60/-	8	a	15½ b	Guinness 10/-.....	78/9	77/6	5 8 5d
					Whitbread 'A' Ord. £1			

Prices, 1953 High	Prices, 1953 Low	Prices, 1954 Jan. 1-July 28 High	Prices, 1954 Jan. 1-July 28 Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, July 21, 1954	Price, July 28, 1954	Yield, July 28, 1954
							£ s. d.
92	84⅛	95⅞	90⅛	Aust. 3½% '65-69	95⅛	95⅛	3 13 0
...	...	99⅛	97⅛	Ceylon 4% '73-75	99	99	4 1 6
98⅛	98⅛	104⅛	98⅛	N. Zealand 4% '76-78.	103⅛	103⅛	3 15 3
73⅛	66⅛	79⅛	71⅛	L.C.C. 3% aft. 1920 ..	77	77	3 17 11
95⅛	90⅛	98⅛	95	Liverpool 3% '54-64..	98⅛	98⅛	3 3 6
81⅛	73⅛	86⅛	80⅛	M.Wtr.'B' 3% '34/2003	86⅛	86⅛	3 11 8
104⅛	101⅛	104⅛	101⅛	Agric. Mort. 5% '59-89	102⅛	102⅛	4 4 10
...	...	95⅛	71⅛	German 7%	86⅛	83	...
...	...	142	102	German 5½%	126⅛	124	...
139⅛	119	159⅛	132⅛	Japan 5% 1907	151	149	...
176	136	186⅛	168⅛	Japan 5½% Conv. 1930	179⅛	177⅛	...

Prices, 1954 Jan. 1 to July 28 High	Prices, 1954 Jan. 1 to July 28 Low	Last Two Dividends (a)	(b)	(c)	ORDINARY STOCKS	Price, July 21, 1954	Price, July 28, 1954	Yield, July 28, 1954
								£ s. d.
7⅛	5⅛	20	a	40 b	Anglo-Amer. 10/-	7⅛	7⅛	3 18 9
110/7½	68/3	80	a	120 b	De Beers 5/- Bearer ..	104/4½	109/4½	9 2 10
101/10½	56/6	...		...	Free State Geduld 5/-.	82/6	91/10½	Nil
76/3	54/9	8½	c	10 c	Randfontein £1.....	62/3	63/4½	3 3 1
6/9	4/10½	22	c	24 c	London Tin 4/-	6/3	6/1½	15 13 6
25½	16½	175	b	50 a	Rhokana £1.....	25	25½	8 18 3

ORDINARY STOCKS	Price, July 21, 1954	Price, July 28, 1954	Yield, July 28, 1954
			£ s. d.
STEEL & ENGINEERING			
B.S.A. £1	59/6	60/6	4 19 2
Cammell Laird 5/-.....	10/-	10/3	7 4 4½
Guest Keen N'fold £1.	59/4½	59/4½	5 1 1
Stewarts & Lloyds £1 .	35/3	36/9	...
United Steel £1.....	24/10½	25/-	7 4 0o
Vickers £1	32/-	33/-	4 10 11v
TEXTILES			
Bradford Dyers £1...	27/9	24/9	8 1 7m
Brit. Celanese 10/-....	27/3	27/-	6 13 4
Coats (J. & P.) £1....	26/-	26/6	5 13 2v
Courtaulds £1	33/-	33/-	4 17 0k
Lancs. Cotton £1.....	27/9	26/6	5 13 2v
Patons & Baldwins £1	67/3	67/3	5 19 0
ELECTRICAL			
Assoc. Elect. £1.....	57/6	60/-	3 15 0x
B.I.C.C. £1.....	45/9	45/9	4 7 5
English Elect. £1.....	48/9	50/-	4 0 0m
General Elect. £1.....	47/6	50/-	5 0 0
MOTOR & AIRCRAFT			
Bristol Aeroplane 10/-	22/3	22/3	4 9 11
British Motor 5/-.....	9/10½	10/4½	5 1 2
De Havilland £1	25/9	26/-	5 15 5
Ford Motor £1.....	68/9	70/-	3 8 7
Hawker Siddeley £1..	81/6	81/3	3 13 10
Leyland Motors £1 ...	97/6	97/6	5 2 7
Rolls Royce £1	66/10½	66/10½	3 9 9j
Standard Motor 5/-...	8/3	8/1½	7 7 8
SHOPS & STORES			
Boots Pure Drug 5/-..	26/10½	26/3	4 5 9
Debenhams 10/-	39/6	40/-	5 0 0w
Gt. Universal 5/-.....	80/-	81/6	3 13 8
Lyons (J.) 'A' £1.....	106/-	104/6	4 6 2
Marks & Spen. 'A' 5/-.	54/-	53/-	3 1 4r
Woolworth 5/-.....	74/9	73/6	4 1 8
OIL			
Anglo-Iranian £1.....	12⅜	13	3 5 5
Royal Dutch 100 fl. ..	£42½	£41	3 1 1i
Shell Reg. £1	96/10½	96/10½	4 13 1s
Trinidad L'holds 5/-..	23/6	23/6	3 17 4x
Ultramar 10/-	28/3	28/3	Nil
SHIPPING			
Cunard £1	41/6	44/-	7 5 5
Furness Withy £1.....	35/-	35/6	6 15 3
P. & O. Def. £1.....	43/-	45/-	4 17 9y
Royal Mail £1	29/-	30/6	6 11 2
MISCELLANEOUS			
Assoc. Port. Cem. £1..	85/-	85/-	4 2 4
Bowater Paper £1....	71/10½	56/10½	4 4 5u
Brit. Aluminium £1 ..	36/10½	36/3	5 10 4
Brit. Amer. Tob. 10/-.	40/-	40/6	5 12 4
Canadian Pacific $25 .	$47½	$49	5 11 9
Decca Record 4/-.....	41/6	41/-	4 5 4g
Dunlop Rubber 10/-..	26/6	26/3	5 6 8
Imp. Chemical £1	35/9	35/3	4 5 1o
Imp. Tobacco £1.....	53/-	53/-	7 10 11
Inter. Nickel n.p.v....	$78½	$78½	5 6 11
London Brick £1.....	58/-	58/-	4 16 7m
Tate & Lyle £1	74/6	74/6	4 5 11
Tube Investments £1.	66/3	67/6	4 8 11
Turner & Newall £1..	84/-	85/-	4 2 4
Unilever £1	80/-	80/-	3 18 9·
United Molasses 10/-..	34/3	34/-	6 9 5q
Cons. Tea & Lands £1.	33/3	36/-	10 2 0
London Asiatic Rbr. 2/-	2/-	1/11½	10 6 5
United Sua Betong £1	34/-	33/-	8 0 2i
MINES			
Anglo-Amer. 10/-	7⅛	7⅛	3 18 9
De Beers 5/- Bearer ..	104/4½	109/4½	9 2 10
Free State Geduld 5/-.	82/6	91/10½	Nil
Randfontein £1.....	62/3	63/4½	3 3 1
London Tin 4/-	6/3	6/1½	15 13 6
Rhokana £1.....	25	25½	8 18 3

(e) To earliest date. (f) Flat yield. (l) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. • Ex dividend. † Assumed average life 11½ years approximately.

• Ex dividend.

New York Closing Prices

	July 21 $	July 28 $		July 21 $	July 28 $		July 21 $	July 28 $
Balt. & Ohio.	25⅛	26⅛	Am. Smelting.	37⅛	39⅛	Inter. Paper..	77	78⅛
Can. Pac.....	26⅞	27⅛	Am. Viscose ..	36⅜	38⅛	Nat. Distill...	19⅜	20⅛
N.Y. Cent....	22⅛	21⅛	Cel. of Amer..	21⅛	21⅛	Sears Roebuck	66	66
Pennsyl.....	16⅛	16⅛	Chrysler	63⅛	62⅛	Shell	46⅛	48⅛
Amer. Tel. ...	173⅛	172⅛	Gen. Elec.....	44	44⅛	Std. Oil of N.J.	85⅛	88⅛
Stand. Gas...	13	13⅛	Gen. Motor...	79⅛	80⅛	U.S. Steel....	52⅛	54⅛
United Corp..	5⅞	5⅞	Goodyear	73⅛	74⅛	Westinghouse.	68⅛	70⅛
W. Union Tel.	43⅛	46⅛	Inter. Nickel .	43⅛	43⅛	Woolworth...	43⅛	44⅛

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield basis 21%. (e) To earliest date. (f) Flat yield. (g) Yield basis 43⅛%. (h) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 14·8%. (i) Yield basis 13⅛% after capital bonus. (j) Yield basis 11⅛%. (k) Yield basis 8%. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 14%. (o) Yield basis 9%. (p) Also 5% net capital distribution. (q) Yield basis 22% gross. (r) Yield basis 32⅛%. (s) Yield basis 22·7% gross. (t) Also 2½%, not subject to tax, from capital profits. Yield basis 10%. (u) Yield basis 12%. (v) Yield basis 7⅛%. (w) Yield basis 20%. (x) Yield basis 18·18% gross. (y) Yield basis 11%, after capital bonus. (z) Yield basis 11⅛%. • Ex dividend.

Statistics

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

British		Overseas	
Prices and Wages	July 3rd	Western Europe:	
Production and Consumption	July 10th	Production and Trade	Ju
Manpower	July 24th	British Commonwealth	July
External Trade	This week	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	July 24
Industrial Profits	July 17th	United States	This wee
World Trade	July 17th		

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages			1953			1954			
		1951	1952	1953	April	May	June	March	April	May	June
VALUE											
Imports:											
Total	£ million	325·2	289·8	278·7	293·3	295·7	291·6	298·6	284·3	280·4	291·0
Food, drink and tobacco	"	107·6	100·5	109·7	118·8	119·4	123·0	120·3	107·4	107·7	102·2
Basic materials	"	126·8	95·4	87·9	94·0	95·8	91·8	87·8	95·7	86·4	97·8
Mineral fuels and lubricants	"	26·3	28·2	26·2	26·7	25·2	23·3	29·6	28·7	28·4	26·2
Manufactures	"	63·1	64·0	53·5	51·3	49·6	50·3	59·7	53·3	56·8	63·3
Exports of UK produce:											
Total	"	215·2	215·3	215·2	214·8	211·7	203·9	246·4	224·9	228·9	217·7
Manufactures	"	183·0	178·5	174·9	177·9	172·6	167·7	201·3	184·7	187·0	177·1
Re-exports	"	10·6	12·0	8·8	8·9	7·2	7·8	11·7	8·0	9·0	8·7
Balance of trade (exports *less* imports)	"	− 99·4	− 62·5	− 54·8	− 69·6	− 76·8	− 79·9	− 40·6	− 51·3	− 42·6	− 64·4
VOLUME											
Imports	1950=100	112·5	102·8	112·1	117	118	113	122	117	114	...
Exports	"	101·2	95·0	98·1	97	96	94	115	104	106	...
BY AREA											
Imports:											
Dollar area—total	£ million	64·5	60·1	52·9	53·8	50·6	59·6	44·9	39·6	48·1	55·3
" USA	"	31·7	26·2	21·2	29·3	17·8	19·2	20·2	17·4	19·6	19·3
" Canada	"	21·7	26·7	25·4	15·4	24·3	34·0	18·6	16·7	23·1	29·4
Non-sterling OEEC countries	"	83·9	71·3	64·1	61·4	64·3	68·0	70·3	63·2	69·3	69·0
Sterling area	"	116·5	119·7	125·3	145·4	142·0	121·9	145·4	146·1	126·7	127·4
Exports:											
Dollar area—total	"	28·8	31·4	33·7	36·7	33·9	37·8	32·6	32·2	32·9	30·7
" USA	"	12·8	15·1	14·3	15·6	14·2	15·4	14·3	13·4	14·0	13·8
" Canada	"	11·7	11·0	13·4	16·3	15·1	16·4	11·6	13·2	13·3	11·0
Non-sterling OEEC countries	"	56·2	58·4	62·5	63·3	61·1	59·1	74·2	66·0	64·1	63·4
Sterling area	"	110·8	107·0	105·8	103·1	103·6	95·4	122·7	112·0	117·3	110·4
Balance of trade (exports *less* imports):											
Dollar area	"	− 35·7	− 28·6	− 19·2	− 17·1	− 16·7	− 21·8	− 12·3	− 7·4	− 15·2	− 24·5
Non-sterling OEEC countries	"	− 27·7	− 12·9	− 1·7	+ 1·9	− 3·2	− 9·0	+ 3·9	+ 2·8	− 5·2	− 5·5
Sterling area	"	− 5·7	− 12·7	− 19·5	− 42·3	− 38·4	− 26·5	− 22·7	− 34·1	− 9·4	− 17·1
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	337·7	325·3	335·2	264·4	360·8	499·7	248·7	206·9	155·8	203·5
Meat	"	39·9	45·5	63·1	81·8	69·3	61·7	69·2	67·4	57·4	48·1
Sugar, unrefined	"	186·8	164·6	248·6	301·8	363·4	259·0	277·9	212·0	254·7	225·4
Raw cotton [1]	"	37·5	21·8	27·5	27·2	22·9	33·3	38·3	36·3	34·9	35·0
Raw wool, sheep's and lambs' [1]	mn. lb.	36·0	51·9	63·3	82·9	98·3	68·2	52·8	79·0	66·8	69·5
Rubber, natural and synthetic [1]	'000 tons	25·1	16·7	18·4	14·5	21·5	18·7	22·1	18·3	17·9	18·1
Softwood	'000 stds.	135·6	85·2	119·1	90·7	115·3	180·7	66·9	78·4	113·5	171·4
Woodpulp	'000 tons	139·3	119·8	133·8	112·5	136·1	127·5	122·3	139·3	177·8	182·5
Crude petroleum	mn. galls.	359	483	556	551	573	528	667	642	612	563
Exports of UK produce:											
Coal, including bunkers	'000 tons	961	1,254	1,400	1,381	1,495	1,244	1,399	1,434	1,417	1,331
Woven piece-goods—cotton	mn. sq. yds.	72	59	59	60	58	52	64	59	58	49
" " wool	'000 sq. yds.	9,817	8,143	8,706	8,265	8,256	7,855	8,531	7,552	7,630	7,340
Passenger cars and chassis	number	30,717	25,824	25,186	25,594	30,939	30,077	34,416	33,898	36,459	33,255
Commercial vehicles and chassis	"	11,382	10,636	9,199	7,842	9,139	8,525	11,038	11,052	11,926	10,015
Agricultural tractors	"	9,388	8,746	7,807	9,510	7,735	8,202	10,082	10,085	9,228	9,233
Machinery—electrical	£'000	4,022	4,805	5,015	6,008	4,644	4,659	5,987	4,757	5,501	4,595
" other	"	26,245	30,346	28,762	31,756	30,476	29,013	34,829	32,331	32,498	29,645
Chemicals, elements and compounds	"	n.a.	3,085	4,180	4,210	4,237	4,022	4,955	4,603	5,452	5,141

[1] Retained imports.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1953 prices
	1947–49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	...	42	48	88	100·0	23·86	45·97
1952	111·6	107·0	113·5	114·6	105·8	114·6	123	102	121	195·0	67·97	68·52
1953	110·1	97·0	114·4	112·8	104·8	117·7	117	102	115	193·3	71·69	71·69
1954, February	110·5	97·7	115·0	112·6	104·7	118·9	118	101	117	203·1	71·28	70·93
" March	110·5	98·4	114·8	112·1	104·3	119·0	119	102	117	207·1	70·71	70·50
" April	111·0	99·4	114·6	112·4	104·1	118·5	...	...	...	215·8	70·20	70·06
" May	110·9	97·9	115·0	113·3	104·2	118·9	...	...	...	223·2	70·74	70·39
" June	110·0	94·8	...	...	...	...	...	...	...	223·9	71·68	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment		
			Durable goods			Non-durable goods						
			Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals	New construction; seasonally adjusted	Total labour force	Total employment	Unemployed as % of labour force
	Seasonally adjusted annual rates		Index 1947–49=100; seasonally adjusted							thousands		
	$ billion								$ million			% rate
1939	91·3	58	49	53	48	66	80	45	683	55,230	45,750	17·2
1952	348·0	124	136	116	154	114	105	137	2,751	62,966	61,293	2·7
1953	367·2	134	153	132	189	118	107	147	2,938	63,453	61,929	2·4
1954, February	357·2	124	139	109	178	113	95	146	3,050	63,725[1]	60,055[1]	5·8[1]
" March		123	135	103	171	114	97	146	3,001	63,825[1]	60,100[1]	5·8[1]
" April		123	134	103	172	115	101	146	3,025	64,063[1]	60,598[1]	5·4[1]
" May	356·0	124	135	106	175	116	103	147	3,068	64,425[1]	61,119[1]	5·1[1]
" June		124	135	109	170	116	...	148	3,035	65,445[1]	62,098[1]	5·1[1]

TRADE

	Personal consumption Annual rates	All business[2]		Total retail[2]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1936–38=100	
1939	67·5	10·80	20·05	3·50	5·53	190	62	41	260	139	94	113
1952	218·1	46·08	77·11	13·67	21·59	896	245	214	1,253	778	151	251
1953	229·8	48·82	81·07	14·23	22·66	898	217	224	1,299	906	158	262
1954, January	229·8	46·45	80·69	13·62	22·52	843	207	175	1,079	714	149	218
" February		46·71	80·39	13·97	22·42	817	196	167	1,168	776	144	238
" March		47·09	80·09	13·90	22·56	873	209	183	1,114	723	153	225
" April	231·5[3]	47·64	79·52	14·24	22·69	943	198	183	1,409	957	161	284
" May		47·02	79·42	14·03	22·84	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics[4]		Budget expenditure[5]		Bond yields		
	Total	Labour income	Farm income	Total	Instal-ment	Invest-ments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1939	72·6	45·7	4·5	7·22	4·50	23·4	17·2	9·0	− 3·9	0·023	...	3·01
1952	269·7	184·9	14·8	25·83	18·68	77·5	64·2	65·4	− 4·0	1·766	2·68	2·96
1953	284·5	198·9	12·4	28·90	21·81	78·1	68·3	74·3	− 9·5	1·931	2·93	3·20
1954, February	283·0	195·3	12·3	27·48	21·15	78·0	66·9	4·7	+ 0·7	0·984	2·60	2·95
" March	282·9	194·8	11·9	27·15	20·90	75·7	67·0	5·6	+ 5·9	1·053	2·51	2·86
" April	282·0	194·3	11·1	27·33	20·91	77·4	66·8	5·3	− 2·5	1·011	2·47	2·85
" May	...	...	...	27·62	20·93	78·6	67·1	5·2	− 1·6	0·782	2·52	2·88
" June	...	...	...	...	...	...	...	...	...	0·649	2·54	2·90

[1] First quarter. [2] Figures calculated on the basis of a new and larger sample. [3] 1939 figures not strictly comparable with rest of series; stocks are at end of period. [4] All commercial banks. [5] Annual figures are totals for the fiscal year ended June 30th. [6] Second quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended July 24th there was an "above-line" surplus (after allowing for Sinking Funds) of £9,864,000 compared with a deficit of £3,769,000 in the previous week and a surplus of £248,000 in the corresponding period of last year. This brought the cumulative deficit to £136,586,000 (£192,524,000 in 1953-54). Net expenditure "below-line" absorbed £12,465,000 bringing the total cumulative deficit to £275,838,000 (£353,399,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to July 25, 1953	April 1, 1954 to July 24, 1954	Week ended July 25, 1953	Week ended July 24, 1954
Ord. Revenue					
Income Tax	1800,000	313,217	295,495	17,586	16,982
Sur-tax	132,000	25,000	24,300	1,000	800
Death Duties	164,375	55,100	56,100	2,500	3,200
Stamps	55,000	16,600	21,100	800	1,300
Profits Tax & EPT	172,000	58,500	45,600	2,600	3,600
Excess Profits Levy	60,000	16,950	27,800	1,900	4,200
Special Contribution and other Inland Revenue	1,000	330	450	...	...
Total Inland Rev.	2384,375	485,697	468,845	26,386	30,082
Customs	1062,500	333,552	347,329	17,728	17,682
Excise	719,000	193,930	196,510	6,420	8,030
Total Customs and Excise	1781,500	527,482	543,839	24,148	25,712
Motor Duties	77,000	9,258	10,201	...	...
Broadcast Licences	21,000	3,000	3,850	...	...
Sundry Loans	24,000	6,201	5,812	...	...
Miscellaneous	245,000	28,119	35,963	3	457
Total	**4532,875**	**1059,787**	**1068,539**	**50,537**	**56,251**
Ord. Expenditure					
Debt Interest	570,000	152,474	149,542	4,081	...
Payments to N. Ireland Exchequer	51,000	14,920	13,057	2,036	...
Other Cons. Fund	10,000	4,129	3,828	452	497
Supply Services	3855,399	1064,436	1029,075	43,250	45,140
Total	**4486,399**	**1235,959**	**1195,502**	**49,819**	**45,637**
Sinking Funds	36,000	8,322	9,623	470	750
"Above-line" Surplus or Deficit		**192,524**	**136,586**	**248**	**9,864**
"Below-line" Net Expenditure		160,875	139,252	11,227	12,465
Total Surplus or Deficit		**353,399**	**275,838**	**10,979**	**2,601**
Net Receipts from:					
Tax Reserve Certificates		65,305	138,686	1,834	979
Savings Certificates		8,600	4,800	— 600	200
Defence Bonds		—22,588	— 7,977	— 876	112

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
July 25	3,220·0	1,469·0	249·7	3·3	4,942·0
1954					
April 24	3,210·0	1,359·3	315·0	...	4,884·3
May 1	3,230·0	1,350·2	287·2	...	4,867·4
" 8	3,240·0	1,272·2	266·9	...	5,134·2
" 15	3,260·0	1,627·9	276·8	...	5,164·7
" 22	3,290·0	1,595·7	305·0	...	5,190·6
" 29	3,320·0	1,579·8	270·6	...	5,170·4
June 5	3,340·0	1,274·1	278·9	...	4,893·1
" 12	3,320·0	1,332·8	274·6	...	4,927·5
" 19	3,300·0	1,372·1	296·1	...	4,968·2
" 30	4,700·0		268·6	3·3	4,971·9
July 10	3,280·0	1,432·5	260·2	...	4,972·7
" 17	3,260·0	1,411·6	267·2	...	5,038·8
" 24	3,270·0	1,492·2	281·6	...	5,043·9

THE MONEY MARKET

At last week's Treasury Bill tender total applications fell by only £10 million from their high level of £433.1 million in the previous week. The offer was again reduced by £10 million, to £230 million, and the market maintained its bid at £99 12s. 2d per cent. The upshot was that its allotment remained at only 34 per cent. At yesterday's tender the offer was raised to £240 million.

Largely on account of the market's small take-up of bills, Lombard Street has had a quiet week. On Thursday before the week-end market supplies of credit were adequate, but on Friday conditions became tighter and the authorities made small special purchases, indirectly through the banks. On the remaining days of the week covered by the Bank return conditions turned comfortable, and small balances were left unlent.

Business in the gold market has been more active in the week covered by the Bank return. The price at the fixing remained at 249s. 0½d. per ounce until Wednesday of this week, when strong demand raised it to 249s. 1d. This was equal to the previous peak price since the reopening of the market in March, reached in the middle of May.

The fiduciary issue has been raised by a further £25 million from its record level of £1,725 million; this brings the total increase in the issue since the end-January low-point to £175 million, compared with £125 million in the corresponding period of 1953.

LONDON MONEY RATES

	%
Bank rate (from 3½%, 13/5/54)	3
Deposit rates (max)	
Banks	1½
Discount houses	1½
Money—Day-to-day	1½-1½
Short periods	1½-1½
Treas. bills 2 months	1⅝
3 months	1⅝
Discount rates	%
Bank bills: 60 days	1⅝
3 months	1⅝
4 months	1⅝
6 months	1⅝
Fine trade bills:	
3 months	2⅛-3
4 months	2⅛-3⅛
6 months	3 -4

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	July 29	July 21	July 28
Issue Department:			
Notes in circulation	1,598·8	1,701·3	1,715·8
Notes in banking dept.	26·5	24·1	34·5
Govt. debt and securities*	1,621·8	1,721·2	1,735·3
Other securities	0·7	0·8	0·7
Gold coin and bullion	2·9	3·4	3·4
Banking Department:			
Deposits:			
Public accounts	9·8	12·7	14·8
Treasury special account	38·4	8·7	10·2
Bankers	274·8	277·5	269·1
Others	67·5	68·9	71·3
Total	390·5	367·8	365·4
Securities:			
Government	343·9	337·1	324·9
Discounts and advances	10·7	8·8	8·2
Other	25·2	13·9	13·8
Total	379·8	359·8	346·9
Banking department reserve	29·0	26·3	35·8
"Proportion"	% 7·5	% 7·1	% 10·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,675 million to £1,725 million on July 15, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s. d.	Allotted at Max. Rate* %
1953					
July 24	240·0	375·6	240·0	46 11·87	55
1954					
April 23	230·0	415·6	230·0	41 7·34	38
" 30	230·0	437·5	230·0	40 11·38	38½
May 7	240·0	406·6	240·0	40 10·84	42
" 14	260·0	391·7	260·0	34 1·75	50
" 21	270·0	400·7	270·0	34 3·24	54
" 28	270·0	426·8	270·0	34 3·35	43
June 4	270·0	414·3	250·0	32 11·61	58
" 11	260·0	418·3	250·0	32 3·56	57
" 18	260·0	400·4	250·0	31 7·57	56
" 25	260·0	426·0	260·0	32 1·48	38
July 2	270·0	384·0	270·0	32 3·41	60
" 9	270·0	396·2	250·0	31 3·90	65
" 16	240·0	433·1	240·0	31 2·27	34
" 23	230·0	423·1	230·0	31 2·62	34

* On July 23rd tenders for 91 day bills at £99 12s. 2d. secured about 34 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £240 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	July 28	July 22	July 23	July 24	July 26	July 27	July 28
United States $	2·78-2·82	2·81⅛-2·81⅜	2·81⅛-2·81⅜	2·81⅛-2·81⅜	2·81⅛-2·81⅜	2·81⅛-2·81⅜	2·81⅛-2·81⅜
Canadian $	...	2·74⅛-2·74⅜	2·74⅛-2·74⅜	2·74-2·74⅜	2·73⅞-2·73⅞	2·73⅛-2·73⅜	2·73⅛-2·74
French Fr.	972·65-987·35	983⅛-983⅝	984-984⅜	983⅛-984	982⅛-982⅜	982⅛-982⅜	983⅛-983⅝
Swiss Fr.	12·15⅛-12·33⅛	12·20-12·20⅛	12·20-12·20⅛	12·20-13·20⅛	12·19⅝-12·20	12·19-12·19⅛	12·19⅛-12·19⅝
Belgian Fr.	138·95-141·05	140·15-140·20	140·15-140·20	140·17½-140·22½	140·15-140·20	140·10-140·15	140·07½-140·12½
Dutch Gld.	10·56-10·72	10·62⅛-10·62⅝	10·62⅛-10·62⅝	10·62⅛-10·62⅝	10·62⅛-10·62⅝	10·62⅛-10·62⅝	10·62⅛-10·62⅝
W. Ger. D-Mk.	11·67⅛-11·81⅛	11·72⅛-11·72⅝	11·72-11·72⅛	11·71⅛-11·72⅛	11·71-11·71⅛	11·70⅛-11·71⅛	11·71⅛-11·71⅝
Portuguese Esc.	79·90-81·10	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05
Swedish Kr.	14·37⅛-14·59⅛	14·52⅛-14·53⅛	14·53-14·53⅛	14·52⅛-14·53⅛	14·52⅛-14·53	14·52⅛-14·52⅝	14·52⅛-14·52⅝
Danish Kr.	19·19⅛-19·48⅛	19·39⅛-19·40⅛	19·40⅛-19·40⅞	19·40⅛-19·40⅞	19·40⅛-19·40⅞	19·39⅛-19·40	19·40-19·40⅜
Norwegian Kr.	19·85-20·15	20·01-20·01⅛	20·01-20·01⅛	20·01-20·01⅛	20·01-20·01⅛	20·01-20·01⅛	20·01-20·01⅛
		One Month Forward Rates					
United States $		⅛c. pm-par	⅛c. pm-par	⅛c. pm-par	⅛c. pm-par	⅛c. pm-par	⅛c. pm-par
Canadian $		Par-⅛c. dis	⅛-⅜c. dis	⅛-⅜c. dis	⅛-⅜c. dis	⅛-⅜c. dis	⅛-⅜c. dis
French Fr.		3-5 dis	4-6 dis	5-8 dis	5-8 dis	5 dis	7 dis
Swiss Fr.		⅛c. pm-par	⅛c. pm-par	⅛c. pm-par	⅛c. pm-par	⅛c. pm-par	⅛c. pm-par
Belgian Fr.		¼ pm-¼ dis	¼ pm-¼ dis	¼ pm-¼ dis	¼-1c. pm	¼ pm-par	¼ pm-par
Dutch Gld.		1-1¼c. pm	1-1¼c. pm	1-1¼c. pm	1-1¼c. pm	1-1¼c. pm	1-1¼c. pm
W. Ger. D-Mk.		Par-¾pf. dis	Par-¾pf. dis	Par-¾pf. dis	Par-¾pf. dis	Par-¾pf. dis	Par-¾pf. dis
Swedish Kr.		1¼-1⅝ pm	1¼-1⅝ pm	1¼-1⅝ pm	1¼-1⅝ pm	1¼-1⅝ pm	1¼-1⅝ pm
Danish Kr.		5-7½ dis	5-7½ dis	5-7½ dis	5-7½ dis	5-7½ dis	5-7½ dis
Norwegian Kr.		13 pm-15 dis	13 pm-15 dis	13 pm-15 dis	13 pm-15 dis	13 pm-15 dis	13 pm-15 dis
		Gold Price at Fixing					
Price (s. d. per fine oz.)		249/0⅛	249/0⅛	...	249/0½	249/0½	249/1

THE

STANDARD BANK

OF SOUTH AFRICA LIMITED

Bankers in South Africa to the United Kingdom Government. Bankers to the Federal Government of Rhodesia and Nyasaland, and to the Governments of Southern Rhodesia, Northern Rhodesia, Nyasaland and Tanganyika

Capital Authorised - - - - £15,000,000
Capital Subscribed - - - - £12,000,000
Capital Paid-up - - - - - £7,000,000
Reserve Fund - - - - - £7,000,000

10 CLEMENTS LANE, LOMBARD STREET and 77 KING WILLIAM STREET, LONDON, E.C.4.

LONDON WALL Branch—63 London Wall, E.C.2.
WEST END Branch—9 Northumberland Avenue, W.C.2.
NEW YORK Agency—67 Wall Street.
HAMBURG Agency — Speersort, 6.

BRANCHES THROUGHOUT THE UNION OF SOUTH AFRICA, SOUTH-WEST AFRICA, SOUTHERN AND NORTHERN RHODESIA, NYASALAND, KENYA, UGANDA, TANGANYIKA, ZANZIBAR AND PORTUGUESE EAST AFRICA.

Banking Business of every description transacted at all Branches and Agencies.

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SECURITY AND *MORE*

What should you look for in an investment? First, *security* . . . the safeguarding of your capital, without worry about fluctuations in value. Next? As good an *income* as possible, paid to you regularly. You get both—security *and more*—in City Prudential Building Society. Your money earns

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INCOME TAX PAID BY THE SOCIETY (EQUIVALENT TO 5% ON AN INVESTMENT TAXED AT THE STANDARD RATE)

Interest accrues from the day of investment; and there are facilities for prompt withdrawal. An investment booklet will be sent to you on request.

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And at BIRMINGHAM, BRADFORD, BRIGHTON, LEEDS, LIVERPOOL, MANCHESTER

THE BRITISH EMPIRE TRUST COMPANY, LIMITED

SECRETARIES TRUSTEES REGISTRARS
TRANSFER AGENTS
INDUSTRIAL FINANCING

Capital	£845,438
Reserves and Surplus	810,355
	£1,655,793

At the 52nd Annual General Meeting on the 26th July, 1954, the speech by the Chairman, Mr. E. Ronald Crammond, included the following:—

Appreciation on investments at 30th April, 1954, was £541,345, being more than double the excess at the close of the previous year.

Of the total investments and loans of the Group 48% are in Canada.

The dividend on the Preferred Ordinary Stock raised to 9% last year, has been raised to 10% this year.

A subsidiary Company, GENERAL SECURITIES REGISTER, LIMITED, is being increasingly used as a "recognised marking name" for Canadian and American stock and share certificates.

BETRUST INVESTMENT CORPORATION LTD. has been formed as a subsidiary in Canada with a capital of $1,000,000.

Copies of the Annual Report and full speech may be had on application to the Secretary, 52-60, Bishopsgate, London, E.C.2, who will be pleased to receive enquiries from companies requiring the Companies' services.

BANKVEREIN

WESTDEUTSCHLAND

AKTIENGESELLSCHAFT

(A Company limited by shares under German law)

Annual Balance Sheet as at 31st December, 1953

in abbreviated form

ASSETS	DM	DM
Cash	8,400,883.82	
Balances with Land Central Banks	100,672,620.06	
Balances on Postal Cheque Account	3,239,315.38	
Balances with Credit Institutions (Nostro Balances)	83,019,264.05	
Matured Bonds, Dividend and Interest Coupons	263,232.55	
Uncleared Cheques on Other Banks	22,622,512.49	
Bills of Exchange	414,429,985.12	
Securities	59,891,362.80	
Equalisation Claims on Government	39,560,619.46	
Covering Claims under Art. 11, Currency Conversion Compensation Law and Art. 19, Old Savings Accounts Law	1,453,492.80	
Holdings in Syndicates	473,062.20	
Debtors	549,483,161.74	
Long-Term Loans	145,571,765.85	
Loans on a Trust Basis at risk of a Third Party	5,915,234.99	
Participations	8,100,000.—	
Real Estate and Buildings	30,600,000.—	
Office Furniture and Equipment	5,000,000.—	
Own Shares	301,751.76	
Other Assets	2,435,471.80	
Transitory Items	60,819.56	
Total Assets		1,481,494,556.43

LIABILITIES	DM	DM
Deposits—		
(a) Sight	495,605,092.88	
(b) Time	583,986,421.95	
(c) Savings	96,978,065.11	
		1,176,569,579.94
Borrowed Funds (Nostro Liabilities)		97,385,794.05
Own Acceptances and Promissory Notes outstanding	51,230,580.17	
less Own Holding	39,279,214.17	
		11,951,366.—
Loans taken at Long Term		78,205,909.66
Loans on a Trust Basis at risk of a Third Party		5,915,234.99
Capital		40,000,000.—
Reserves in accordance with Art. 11, Law on the Credit System—		
(a) Legal Reserves	4,000,000.—	
(b) Others	10,000,000.—	
		14,000,000.—
Reserves for Special Purposes		52,336,453.51
Other Liabilities		1,062,268.76
Transitory Items		1,187,754.77
Net Profit—		
Profit brought forward from previous year	6,510.79	
Profit for 1953	2,873,683.96	
		2,880,194.75
Total Liabilities		1,481,494,556.43
Liabilities arising from Sundry Guarantees		130,533,134.37
Endorsement Liabilities on Bills of Exchange in Circulation		121,799,633.65

Profit and Loss Account for the Year 1953

EXPENDITURE	DM	DM
Expenditure on Personnel		19,883,883.99
Expenditure for Social Purposes, Welfare and Pensions		4,605,202.32
Other Expenditure		9,785,602.39
Taxes and Similar Dues		15,078,692.19
Allocation to Reserves in accordance with Art. 11, Law on the Credit System (Other Reserves)		2,000,000.—
Net Profit—		
Profit brought forward from previous year	6,510.79	
Profit for 1953	2,873,683.96	2,880,194.75
		54,233,575.64

RECEIPTS	DM
Profit brought forward from previous year	6,510.79
Interest and Discount	23,328,602.93
Commissions and Fees	30,898,461.92
	54,233,575.64

BOARD OF DIRECTORS (after the General Meeting of 12th May, 1954): Dr. Otto Schniewind, of Düsseldorf/Munich, Chairman; Dr. Dr.Eh. Dr.Ing. Theo Goldschmidt, of Essen, 1st Vice-Chairman; Dr. Franz Kaufhold, of Düsseldorf, 2nd Vice-Chairman; Heinrich Theodor Fleitmann, of Schwerte (Ruhr); Josef Gockeln, of Düsseldorf; Dr. Eduard Freiherr von der Heydt, of Ascona; Dr. Franz Hilger, of Düsseldorf; Paul Kümpers, of Rheine (Westphalia); Dr. Dr.Eh. Fritz ter Meer, of Krefeld; Carl Christian Schmid, of Düsseldorf; Heinrich Theodor (Rhineland); Dr. Werner Schulz, of Cologne; Walter Schwede, of Düsseldorf; Wilhelm Vorwerk, of Düsseldorf; Willy Schniewind, of Haan of Neuss; Dr. Friedrich Wilhelm Ziervogel, of Essen. As representatives of the Staff: Hans Birnbacher, of Wuppertal-Barmen; Wilhelm Werhahn, Erich Frieling, of Wuppertal-Barmen; Clara Halfmann, of Duisburg; Fritz Herbertz, of Düsseldorf; Otto Bonner, of Hagen; Schmitz, of Düsseldorf; Johannes Schwall, of Essen.

BOARD OF MANAGEMENT: Dr. Hanns Deuss; Hans Erkelenz; Fritz Höfermann.

The Ordinary General Meeting on 12th May, 1954 resolved on the distribution of a dividend of 8½% for the year 1953.

COMMERZ-UND CREDIT-BANK

AKTIENGESELLSCHAFT

(A Company limited by shares under German law)

Annual Balance Sheet as at 31st December, 1953

in abbreviated form

ASSETS	DM
Cash	2,104,704.67
Balances at Land Central Banks	40,502,524.27
Balances on Postal Cheque Account	1,165,145.37
Balances with Credit Institutions	48,969,276.90
Matured Bonds, Dividend and Interest Coupons	76,410.84
Uncleared Cheques on Other Banks	10,682,739.58
Bills of Exchange	146,240,806.39
Treasury Bills and Non-Interest Bearing Treasury Bonds of the Federal Government and the Lands	609,144.10
Securities	20,256,836.90
Equalisation Claims on Government	29,168,807.89
Covering Claims under Art. II, Currency Conversion Compensation Law	78,586.22
Holdings in Syndicates	1,037,980.01
Debtors	155,376,550.95
Long-Term Loans	15,619,966.70
Loans on a Trust Basis at risk of a Third Party	5,440,911.26
Participations	2,030,000.—
Real Estate and Buildings	10,600,000.—
Office Furniture and Equipment	2,000,000.—
Own Shares	78,618.33
Other Assets	584,840.99
Transitory Items	72,562.81
Total Assets	492,696,414.18

LIABILITIES	DM	DM
Deposits—		
(a) Sight	152,271,342.03	
(b) Time	255,475,618.31	
(c) Savings	30,392,957.47	
		438,139,917.81
Borrowed Funds		7,712,042.41
Loans taken at Long Term		8,902,424.30
Loans on a Trust Basis at risk of a Third Party		5,440,911.26
Capital		10,000,000.—
Reserves in accordance with Art. II, Law on the Credit System—		
(a) Legal Reserves	1,500,000.—	
(b) Others	3,500,000.—	
		5,000,000.—
Reserves for Special Purposes		15,714,199.15
Other Liabilities		635,030.04
Transitory Items		295,512.68
Net Profit		856,376.53
Liabilities arising from Sundry Guarantees	33,272,503.17	
Endorsement Liabilities on Bills of Exchange in Circulation	32,117,369.04	
Total Liabilities		492,696,414.18

Profit and Loss Account for the Year 1953

EXPENDITURE	DM
Expenditure on Personnel	8,373,310.69
Expenditure for Social Purposes, Welfare and Pensions	1,807,925.15
Other Expenditure	3,868,701.75
Taxes and Similar Dues	3,289,062.64
Allocation to Reserves in accordance with Art. II, Law on the Credit System (Other Reserves)	500,000.00
Net Profit	856,376.53
	18,695,376.76

RECEIPTS	DM
Profit brought forward from previous year	20,921.02
Interest and Discount	7,577,284.20
Commissions and Fees	11,097,171.54
	18,695,376.76

Frankfurt on Main, April, 1954.

BOARD OF DIRECTORS (after the General Meeting of 13th May, 1954): Dr. Philipp Möhring, of Karlsruhe, Chairman; Dr. Franz Grabowski, of Wetzlar, 1st Vice-Chairman; Dr. Michael Erlenbach, of Frankfurt on Main, 2nd Vice-Chairman; Dr. Ulrich Doertenbach, of Stuttgart; Dr. Henri Dumur, of Wetzlar; Carl Kaelble, of Backnang; Ernst Liegel-Seitz, of Bad Kreuznach; Dr. Heinrich Thielen, of Nuremberg. Representatives of the Staff: Otto Baier, of Frankfurt on Main; Franz Denzer, of Frankfurt on Main; Hans Griesbeck, of Nuremberg. Hermann Ernst Guter, of Stuttgart.

BOARD OF MANAGEMENT: Wilhelm Nuber; Ernst Rieche; Eugen Weidmann; (Acting) Eduard Mittelmann.

The Ordinary General Meeting on 13 May, 1954 resolved on the distribution of a dividend of 8½ per cent. for the year 1953.

COMMERZ- UND DISCONTO-BANK

AKTIENGESELLSCHAFT

(A Company limited by shares under German law)

Annual Balance Sheet as at 31st December, 1953

in abbreviated form

ASSETS

	DM
Cash, Balances at Land Central Banks and on Postal Cheque Account	38,219,013.56
Balances with Credit Institutions	27,168,223.96
Matured Bonds, Dividend and Interest Coupons	562,647.05
Uncleared Cheques on Other Banks	7,556,425.95
Bills of Exchange	94,763,586.56
Treasury Bills and Non-Interest Bearing Treasury Bonds of the Federal Government and the Lands	250,000.—
Securities	27,696,123.39
Equalisation Claims on Government and Covering Claims under Art. 11, Currency Conversion Compensation Law	41,390,503.55
Holdings in Syndicates	672,188.30
Debtors	216,484,766.97
Long-Term Loans	56,595,099.03
Loans on a Trust Basis at risk of a Third Party	8,937,663.97
Participations	3,090,000.—
Real Estate and Buildings	15,500,000.—
Office Furniture and Equipment	2,300,000.—
Other Assets	918,655.41
Transitory Items	95,542.27
Total Assets	542,200,439.97

LIABILITIES

	DM
Deposits	441,075,789.88
Borrowed Funds (Nostro Liabilities)	14,158,375.90
Own Acceptances and Promissory Notes	—.—
Loans taken at Long Term	35,272,874.56
Loans on a Trust Basis at risk of a Third Party	8,937,663.97
Capital	12,500,000.—
Reserves in accordance with Art. 11, Law on the Credit System	7,500,000.—
Reserves for Special Purposes	19,548,156.21
Other Liabilities	1,307,555.75
Transitory Items	824,252.73
Net Profit	1,075,770.97
Total Liabilities	542,200,439.97

Profit and Loss Account for the Year 1953

EXPENDITURE

	DM	DM
Expenditure on Personnel		10,732,038.17
Expenditure for Social Purposes, Welfare and Pensions		1,957,457.21
Other Expenditure		4,343,662.28
Taxes and Similar Dues		4,262,352.30
Value Adjustments on 7(c) and 7(d) Loans		1,798,588.67
Allocation to Reserves in accordance with Art. 11, Law on the Credit System (Other Reserves)		1,500,000.—
Net Profit:		
Profit brought forward from previous year	10,931.29	
Profit for 1953	1,064,839.68	
		1,075,770.97
		25,669,869.60

RECEIPTS

	DM
Profit brought forward from previous year	10,931.29
Interest and Discount	11,130,653.65
Commissions and Fees	14,528,284.66
	25,669,869.60

BOARD OF DIRECTORS (after the General Meeting of 14th May, 1954): Wilhelm Nottebohm, of Hamburg, Chairman; Dr. Martin Schunck, of Hanover, Vice-Chairman; Helmut Lorenz-Meyer, of Hamburg, Vice-Chairman; Dr. Bernhard Goldschmidt, of Kiel; Dr. Wilhelm Gruber, of Hamburg; Harry Kühne, of Hamburg; Heinrich Röbenack, of Hanover; Ernst Solte, of Bremen; Franz Heinrich Witthoefft, of Hamburg; Joachim Wussow, of Wilhelmshaven. As representatives of the Staff: Robert Wilhelm von Appen, of Hamburg; Herbert Breede, of Ahrensburg; Hermann Kühne, of Hanover; Christian Schlüter, of Bremen-Horn; Lothar Schröder, of Hamburg.

BOARD OF MANAGEMENT: Robert Gebhardt; Walter Meier-Bruck; Wilhelm Reinold.

The Ordinary General Meeting on 14th May, 1954 resolved on the distribution of a *dividend of* 8½% for the year 1953.

COMPANY MEETINGS

THE STANDARD BANK OF SOUTH AFRICA

CONTINUED STEADY EXPANSION

SIR FREDERICK LEITH-ROSS ON YEAR OF MARKED PROSPERITY

The one hundred and forty-first ordinary meeting (being the annual general meeting for the year 1954) of The Standard Bank of South Africa, Limited, was held on July 28th in London, Sir Frederick Leith-Ross, GCMG, KCB (the chairman), presiding.

The following is an extract from his circulated statement:

As would be expected of an institution such as ours, which has to develop with the development of Africa, the total of our assets continues steadily to grow. This year the balance sheet has increased by something over £25 million to a total of £363 million. You will recall that in 1953 we decided to increase our capital by £2 million and, although there were special reasons connected with the banking law in the Union of South Africa which made this desirable, it is clear than an increase was more than justified by the continued expansion in our business. I may remind you that in 1939 the total of our balance sheet amounted to £86 million. In the fifteen years that have passed since then our figures have multiplied more than four times and, although the value of money has fallen considerably in the intervening period, there is no doubt that the business of the bank has made real progress.

The balance of profit for the year after providing for taxation and after making transfers to the pension fund and to the reserve for contingencies amounts to £635,811. An interim dividend of 1s. per share was paid on January 30th last.

The board recommend that a final dividend for the year of 1s. 3d. per share be paid.

UNION OF SOUTH AFRICA

Despite recurrent apprehensions of political trouble, both international and domestic, the year under review has again been one of marked prosperity in the Union. It has been described as a year of consolidation rather than of expansion: but this does not mean that it has been a period of stagnation. On the contrary, there has been a steady and substantial advance in almost every field of economic activity. Agriculture, which still remains the basic industry of the country, has had a particularly good year, new records of production having been attained in many sectors. The development of industry has continued and the output of private manufacturing undertakings increased in value by about 10 per cent. The new goldmines, in which some £150 million have been invested since the war, are now beginning to produce substantial results, over £5 million worth of gold having been obtained from the few mines in the Orange Free State field as yet in active production. A number of others are commencing operations and receipts from uranium are beginning to supplement the income from gold. Altogether, there is every justification for confidence in the economic prospects of the country.

As a result of the expansion in production, the national income showed a further considerable increase over the record figures of 1952. The increase over the past five years has amounted to no less than 50 per cent—a remarkable rate of progress. In the circumstances it is not surprising that the advances made by the commercial banks last year also reached record levels, due in part to the substantial assistance required for financing crops. Under the South African banking law, the advances that can be accorded by the commercial banks depend upon the amount of their capital and unimpaired reserves held in the Union and the increase in the capital of our bank which took place last year has given us greater resources for meeting the increased demands of business. The expansion of credit that has taken place is not excessive, as the commercial banks have continued to apply a conservative lending policy. The main problem has been the financing of the capital needs of the government and of public or semi-public authorities. The strain was relieved by the measures taken by the finance minister last year to secure a substantial budget surplus, as well as to impose a special loan levy on the taxpayer.

As a result, inflationary pressures have been kept in check and although internal prices have continued to rise, the rate of increase has diminished in comparison with previous years and prices, on the whole, have been more stable than for some time past. There has been keener trading competition but turnover has been well maintained and the volume of business, as recorded in the retail indices, has been slightly higher, in terms of money, than in the two previous years. The wholesale price index of imported goods has shown a downward tendency but this has had little effect on internal prices owing to the continuance of import and exchange controls. The government are hopeful that, provided no unforeseen difficulties arise, these controls may be relaxed in the comparatively near future, as a first step to their eventual abolition.

SOUTH-WEST AFRICA

General trading conditions were quieter than in 1952, as shopping demand, which is markedly sensitive to seasonal factors, was somewhat hesitant owing to the after effects of the 1952 drought and to lower prices received for karakul pelts. Total turnover was, however, fairly satisfactory owing to continued expansion in the fishing industry and to the maintenance of activity in the mining industry. The territory continues to achieve a substantial favourable external balance of payments. Farming is still the mainstay of the territory. Conditions improved in 1953 owing to timely rains, and this should ensure maintenance of general business activity in the current year.

THE FEDERATION OF RHODESIA AND NYASALAND

On September 3, 1953, the Federation of Rhodesia and Nyasaland came into being. This marks a great step in the history of these territories. Although the general economy of the country is, at present, relatively undeveloped, its economic potential is high and there is every reason to hope that with its combination of agricultural and mineral wealth, and growing industrialisation, the Federation will develop into a strong and well balanced economic unit.

As statistics for the Federation as a whole will only become available during the course of the current year, our review of the economic activity for the past year of the three territories comprising the new state is based, as in previous years, on the former territorial pattern.

SOUTHERN RHODESIA

The volume of general business during the past year showed a moderate decline, and turnover in the wholesale and retail trades was lower than that of the preceding year. Staple goods continue to command a sustained turnover but purchases of non-essential items have become more and more selective. Wholesalers and retailers are, nevertheless, looking forward with confidence to more prosperous trading conditions as it is expected that the volume of general business will expand under the impetus of the new arrangements enabling goods to move more freely between the federated territories.

The development of secondary industries in Southern Rhodesia has been a notable postwar achievement. The number of industrial establishments has more than doubled in recent years and the value of their output has risen from some £18 million in 1945 to an estimated £107 million in 1953. The range of goods manufactured has greatly expanded, and their quality is said to be comparable with imported articles; there is now a substantial export of certain products.

NORTHERN RHODESIA

Business conditions were generally satisfactory both in the wholesale and in the retail sections, though reports have also spoken of a quieter tone. Commercial turnover was relatively steady, but it was apparent that a shortage of ready money was felt, particularly among the smaller traders. Most branches of the economy of Northern Rhodesia made progress and business conditions are expected to continue on a satisfactory level. There was considerable new building construction during the year.

The provisional figures for the value of the mineral production for 1953 show a substantial increase on the previous year's record. The expansion in the receipts of the mining industry was due mainly to the higher output of the copper mines whose prosperity is of paramount importance to the economy of Northern Rhodesia. 362,581 tons of copper worth £90 million were produced in 1953; this compares with 312,363 tons worth £72 million in 1952.

NYASALAND

Trading conditions in the European sector of business recovered to a large extent from the setbacks of the previous year, due principally to the satisfactory prices obtained for tea. In addition, the tobacco crop was on

the whole a good one, realising satisfactory prices, and there was an increased production of food crops. The external trade of the territory continues to develop and, with a sharp fall in the value of imports, the adverse trade balance was considerably reduced.

EAST AFRICAN TERRITORIES

In Kenya the commercial community has withstood very well the setback caused by the state of emergency which arose from the activities of Mau Mau elements.

Development is still taking place, but the influx of capital from overseas has been on a considerably reduced scale and there have been few *new settlers. Farming in the* colony as a whole has again suffered from lack of rain, but farmlands generally have retained their values. Last season's coffee crop showed a substantial increase over that of the previous year with very favourable prices and an equally successful year is forecast. The production of sisal has been maintained.

In the troubled areas business has been restricted but commitments continue to be met and the effect on wholesale business has not been as serious as might have been expected. The colony's adverse trade balance is slightly less than a year ago but the cost of operations to deal with Mau Mau troubles is putting an excessive strain on the finances of the colony.

The reports and accounts were adopted.

FODENS LIMITED

The fifty-second annual general meeting of Fodens Limited was held on July 28th at Elworth Works, Sandbach. Mr James Wild, the chairman, said in his report:

The accounts presented are for a trading period of ten months only.

The demand for our vehicles and engines has continued to increase, and in spite of the many difficulties which are inseparable from present-day trading we have been successful in increasing our output to meet this demand.

The trading activities of our South African subsidiary continue to be very satisfactory and the board is now negotiating for larger premises to meet the increasing demand which we expect for our products in the Union.

The following analysis shows how each £1 of the gross trading income was used during the year:

	s.	d.
Wages and salaries ...	4	0¼
Materials and services	13	11¼
Servicing of buildings, plant and equipment		3¼
Taxation	1	0¼
Retained in the business		5
Dividend (net)		2¼
Total	£1	0 0

Our order book is in a satisfactory condition and we shall use all our endeavours to keep production costs to their minimum and output at its maximum, consistent with our well-known high quality of manufacture.

With the loyal support of all our workers I have no doubt whatever that Fodens will continue to merit the good name they have always had for reliability since the pioneering days of the nineteenth century.

I am sure you will join with me in expressing to all employees our appreciation of their loyal co-operation and good work during the past year.

The report was adopted.

BRITISH SUGAR CORPORATION, LIMITED

RECORDS BROKEN

SIR ALAN SAUNDERS'S ADDRESS

The eighteenth annual ordinary general meeting of the British Sugar Corporation, Limited, was held on July 27th, in London, Sir Alan Saunders, OBE, chairman, presiding.

The following is an extract from the chairman's circulated address for the year to March 31, 1954:

In 1953 the weather was almost ideal for this industry. Sugar beet growers and the home-grown sugar factories broke one record after another. The quantities of beet delivered to the factories and of sugar produced were the highest in the history of the industry. The average yield per acre was also a record.

Freedom from disease and continuously favourable harvesting weather were probably the most significant factors in the record results, but full credit must also be given to growers for the higher standard of cultivation now attained.

CROP DETAILS

Last season the total crop was 402,477 acres, grown by 38,191 growers, giving an average of 10.54 acres per grower. The yield of sugar beet per crop acre—13.11 tons—surpassed the previous highest, 1950, by 0.3 ton. The total tonnage delivered to the factories was 5,275,159. This was 1,039,251 tons more than in the preceding year and 58,877 tons higher than the previous record in 1950. The average sugar content, at 16.31 per cent, was slightly lower than in the previous season, but the average sugar per root (110 grammes) was a record. The production of sugar beet pulp, an attractive stock feed, was 321,018 tons. Molasses production was 211,638 tons.

Approximately 4½ million tons of crowns and leaves were available on the farms and our records show that a higher proportion than ever before was fed to stock.

Our six heaviest crops to date have been produced in the last eight years, and a comparison of the yield per acre for the past five seasons (11.55 tons) with that of the immediately preceding five years (9.47 tons) shows an increase of nearly 22 per cent.

I have referred on previous occasions to the progress that has been made with the mechanisation of the sugar beet harvest, and the percentage of the crop harvested in this manner last season reached the record figure of 30 per cent.

We are now tackling the spring labour peak comprehensively. In 1953 we supplied farmers with more specially processed seed than previously, and considerable progress has also been made with the technique of mechanical thinning.

RE-EQUIPMENT OF FACTORIES

Since I announced in 1950 the long-term proposals for re-equipment and modernisation of the Corporation's 18 factories, involving an expenditure of between £9 million and £10 million, the work has gone forward satisfactorily in accordance with the plans laid down; and, in fact, is expected to be completed during the present financial year. In the year under review, capital expenditure amounted to £1,748,000, making a total expenditure since April 1, 1949, of £7,874,000.

By the second week in February the whole crop had been safely worked at a record average slice of 42,578 tons a day. This is the more commendable as the former record of 41,115 tons, achieved in the previous year, was for a much smaller crop which was processed by mid-January.

Despite the considerable increase in speed, the sugar losses in process were reduced by 5 per cent. Our labour productivity has again been increased by almost 5 per cent, and our campaign casual labour has again been reduced.

The record tonnage of sugar produced during the beet campaign was 748,935 tons, 464,730 tons of which was white sugar and 284,205 tons raw sugar.

The conversion of Allscott factory from raw to white sugar has been completed, and this accounts for the increase in the proportion of white sugar produced. Thirteen factories now produce white, and five, raw sugar.

Although the need for reconstruction funds is still great, my colleagues and I have reached the conclusion that there should be a modest increase in the members' dividend. Accordingly, we are recommending that the dividend which has been maintained for the past fourteen years at 4½ per cent should this year be increased to 5 per cent.

CHART I.—Factory Labour
(man-minutes per ton of beet worked)

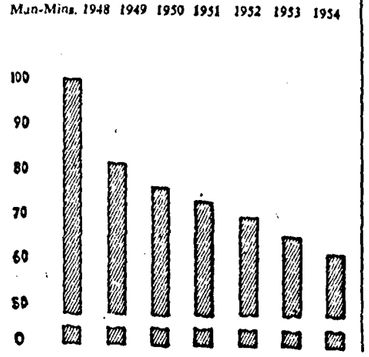
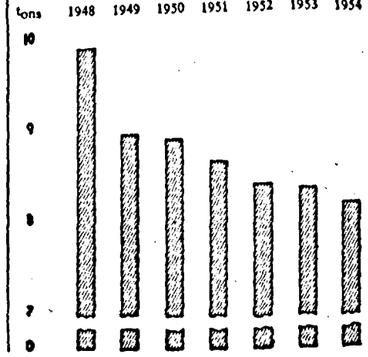


CHART II.—Coal Saving
(coal used per 100 tons of beet worked)



GEORGE NEWNES LIMITED

RECORD RESULTS

STATEMENT BY THE CHAIRMAN, MR H. C. TINGAY

The fifty-seventh annual general meeting of the company was held on July 29th at the company's offices, Mr H. C. Tingay, chairman, presiding. The following is an extract from his statement:

Sir Frank Newnes, Bt, who has filled the position of chairman for very many years, has at his own wish recently decided to retire from that position through advancing years. It is a matter of gratification to his colleagues to know that he will continue as a member of the board, thus making available the benefit of a long business experience acquired over a lifetime with the company. In recognition of his long association with the business—founded by his father over 60 years ago—it is the earnest wish of the other members of the board that Sir Frank should fill the newly created, indeed specially created, position of president of the company, and shareholders will be happy to know that Sir Frank has accepted that position in addition to remaining a member of the board.

RECORD FIGURES

Last year the company was able to announce that the results at that time constituted a record in its history. This year the figures make an even better showing. The combined earnings of the Group amount to £1,518,649 as compared with £1,111,003 for the previous year. After deducting taxation of £794,896 as against £476,842 there remains a net profit of £723,753—an increase of approximately £90,000 over that of last year.

The figures of the parent company, George Newnes, Limited, show a corresponding advance. The net profits, after deducting taxation and all other charges, amount to £468,050 as compared with £409,153. With the amount brought forward from last year, and after deducting dividends on preference shares and interim dividend on ordinary shares, there remains a disposable balance of £476,183. The directors recommend a final dividend of 13 per cent, making 16 per cent for the year, on the ordinary shares. Of the balance remaining they propose that £10,000 be placed to sick and pension fund, £10,250 to supplementary pensions account, £188,758 to general reserves, and £20,000 to reserves for contingencies, leaving £94,000 to be carried forward. The arrangements carried out at the end of last year to increase the 10s. ordinary shares to 20s. by capitalising reserves reduced the general reserves to £311,242. The sum of £188,758 now being allocated brings that item back to the round sum of £500,000.

The consolidated accounts setting out the affairs of the Group present a strong and healthy position. Various reserves total £2,271,879, including development reserves of £779,143. Balances on profit and loss accounts of the various companies, i.e., undistributed profits, amount in all to £346,437. Cash and tax reserve certificates total £2,058,717 as compared with £1,486,849 last year.

WIDELY SPREAD INTERESTS

The trading of the Group continues on a high level. Circulations and advertisement revenues, in many directions, constitute new records. Of the fifty-six publications comprised in the group about one-half are in the general and specialised field, the other half being in the trade and technical field. Our publishing interests are thus widely spread—a policy laid down by the company many years ago as providing the best security against unforeseeable happenings.

The number and variety of publications preclude separate mention, but some of the more important properties might be referred to individually. *Woman's Own*, our colourgravure weekly, fully maintains the powerful position it has reached both with readers and advertisers. Its present sale of nearly two and a quarter millions is restricted to that figure only by reason of additional paper supplies not being available. The same applies in the matter of pages, and under present conditions advertisers are unable to obtain in full the amount of space they would like to have. We are hopeful that these hampering restrictions will shortly be removed or at least modified.

Tit-Bits—that lively septuagenarian weekly—not only adds to its years but also continues to add to its circulation. Since speaking of its remarkable vitality and progress at this time last year, the weekly sale has now well passed the million mark.

Our group of "Practical" periodicals—*Practical Mechanics, Practical Wireless, Practical Television* and *Practical Engineering*—has recently been extended by a newcomer, *Practical Motorist and Motor Cyclist*. Although only in its third issue, the demand has been overwhelming, and it would appear that another successful member has been added to this very popular "Practical" family.

Homes and Gardens, our popular monthly magazine, continues to advance both in sales and advertisement revenue. The figures, now at record levels, still show the same upward trend.

C. Arthur Pearson Limited, our principal subsidiary in the general publishing field, shows excellent results from a well-varied group of publications. *The Smallholder*, the accepted weekly journal for all small food producers including the home gardener, stands out prominently. During the year its scope was expanded and the selling price raised from 3d. to 4d. At no time in its long and successful history has its appeal both to reader and advertiser stood at a higher level.

The latter may also be said of *Aeronautics*, our high-class aviation monthly, which holds the respect and attention of British and overseas aircraft and aero-engine constructors. It also plays an important part in the national economy in making known abroad the high quality and technical excellence of our aeronautical products.

Amateur Gardening has had another excellent year, the circulation reaching the highest figure in its long history. The editorial policy has moved still further towards widening the paper's appeal, without in any way lowering its high standard, so as to attract an ever-growing gardening public. An attractive new photographic cover with coloured border has been warmly welcomed by readers.

DICTIONARY OF ENGLISH FURNITURE

On the *Country Life* side of the business the event of the year has been the publication of a new edition of the *Dictionary of English Furniture*. This monumental work, consisting of three volumes, half a million words and nearly 2,800 illustrations, has been out of print since the beginning of the war, and the demand for it was such that it was not uncommon for odd volumes, originally sold at 5 guineas each, to fetch £30 or £40. The new edition, completely revised and enlarged by Mr Ralph Edwards, has had a reception far exceeding our expectations, in spite of the necessarily high cost of 30 guineas a set.

Country Life itself maintains its unquestioned pre-eminence in its own field.

Our associated company, Temple Press, has also done well. In addition to its extensive publishing interests in technical and specialised fields, it has one of the most modern printing works in London. Since the war a considerable amount of new plant has been installed, and this year, in order to meet the steadily increasing demand for their weekly journals, such as *The Motor, The Commercial Motor* and *Motor Cycling*, an order for new high-speed magazine rotary presses has been placed. Temple Press is justifiably proud of its reputation for high quality printing, particularly colour work. More colour than ever is now required by advertisers, especially in their monthly journals, *The Motor Ship, The Oil Engine and Gas Turbine, Plastics*, and the export journal, *The Overseas Engineer*, and to meet this demand the most modern colour presses available are now being installed.

The National Trade Press similarly records a successful year. The company has benefited from the revived prosperity of the textile and footwear industries which are served by several of its publications and Trade Fairs. During the year the number and range of its Trade Fairs was extended, and at the present time seven exhibitions are being sponsored through its journals. The Trade Fairs have been welcomed by exhibitors, also by tens of thousands of buyers from all parts of the British Isles, as well as many from overseas. A collection of the models exhibited at the National Fabric Fair (now in its fourth year) has on each occasion afterwards been flown by BOAC to South Africa, Australia, New Zealand and USA, where they have been shown to audiences of women in large towns. It is estimated that more than 250,000 fashion-loving women overseas have been able to see the models.

BOOK INTERESTS

Our book publishing interests, largely devoted to subscription selling, record a high level of trading both in this country and in other English-speaking countries. From time to time reference has been made to the great publishing enterprise in which, the company engaged a few years ago in producing an entirely new edition of the world-famous *Chambers's Encyclopædia*, by arrangement with W. and R. Chambers, Limited, of Edinburgh. As the only completely new postwar British encyclopædia it ranks as a work of the first order of importance in authority and scholarship. The very large expenditure involved in the initial preparation has been amply justified by results, and another edition is now in course of production to meet the continuous and considerable demand.

The report and accounts were adopted.

THE AMALGAMATED PRESS LIMITED

CHAIRMAN'S STATEMENT

The following is the statement of the chairman, the Hon Michael Berry, MBE, on the report and accounts for the year ended February 28, 1954, submitted to the annual meeting on July 29th.

Before reviewing the progress of the year, I must dwell again on the grievous loss to the company, already recorded in the directors' report, of the late Viscount Camrose. Lord Camrose became chairman of The Amalgamated Press Limited in 1926 and continued in that position until the day of his sudden death on June 15th.

You will not expect me, his son, to attempt his obituary. Rarely, in any case, has the press of so many countries poured out such splendid tributes in memory of a man who, throughout a many-sided life, had preferred to be known publicly only through what he created. One recalls particularly the emphasis on his humanity, his integrity and his courage. What has been said of him is best summed up in the words of a distinguished Danish journalist, Jorgen Bast, in *Berlingske Tidende* who wrote "One of the great trees in the forest of the world press has fallen."

For more than a quarter of a century Lord Camrose guided the fortunes of The Amalgamated Press. During that time the company has continually expanded and augmented its position as the largest periodical publishing house in the country.

From the age of 14 to his death, Lord Camrose was primarily a working journalist. His first independent enterprise was a periodical; but whether he was concerned with periodicals or newspapers—and in the course of his life those with which he was connected catered for many differing types of readership—he always maintained fixed principles. He would never pander to the meaner tastes. He scorned, and I am sure you too scorn, the easy money to be garnered by lowered standards. It is the more a crowning tribute to his 27 years as chairman, that deriving so much from his inspiration and wisdom, the accounts which I now present to you are a record in the company's history.

THE ACCOUNTS

The gross profits of The Amalgamated Press group amount to £4,784,000 after charging debenture interest. This compares with £4,240,000 last year and betters even the £4,773,000 of the preceding year during which abnormal profits were made by our paper-making subsidiary.

To a large extent, of course, we have laboured in vain. The increase on last year's profits is £544,000 but on this the taxation charge is £422,000, so that we have left only £122,000 more to deal with. On the other hand there is included in the charge £95,000 for excess profits levy, a tax which has now been repealed.

The net profit, after taxation and after allowing for profit attributable to outside shareholding, is £2,005,000. We are leaving £586,000 in the accounts of subsidiaries, which is £14,000 less than last year, and after £36,000 added back for provisions no longer required, there is a balance of £1,455,000.

We propose a final dividend of 17½ per cent on the ordinary shares, making a total of 27½ per cent against 22½ per cent last year. After allowing for the preference and interim ordinary dividends already paid, and adding in £409,000 brought forward from last year, we are left with £1,328,000 to allocate.

Of this we have transferred £750,000 against £600,000 last year, to general reserve. We have also transferred to general reserve the £450,000 standing to the credit of contingencies and development reserve. Your directors consider that there is no longer any useful distinction between the two reserves and that a clearer picture is shown by their amalgamation. The total of the general reserve therefore becomes £4,800,000. We have in addition applied a further £250,000 in writing down copyrights and goodwill to a round sum of £3 million. These very large allocations require a total of £1 million, leaving £328,000 to be carried forward.

Finally, it is proposed to create 2,400,000 "A" ordinary shares of 10s. each, ranking with the existing ordinary shares, but carrying no voting rights, and to issue them as a bonus of one share for every two ordinary shares held. This recommendation, for which we have received the consent of the Capital Issues Committee, will be the subject of an extraordinary general meeting following the annual general meeting.

There are not many items in the balance sheet to which I need specially draw your attention. Current assets are £5,534,000 against £4,871,000 last year. On the opposite side current liabilities are £1,100,000 against £812,000. This leaves a surplus of current assets over current liabilities of £4,434,000, an increase during the year of £475,000.

In the consolidated balance sheet current assets are up by £1,345,000, while liabilities are down by £164,000.

TRADING OF THE YEAR

These satisfactory results have not been easily achieved. Production costs, despite economies wherever possible without loss of goodwill, have continued to rise. The relief which came from a decrease in the price of paper was completely swallowed up by increased printing charges. All other costs have advanced—wages and salaries have risen and we have had to pay more for editorial material, engraving and carriage.

WOMEN'S MAGAZINES

Our women's magazines and periodicals have increased their readership. With their big sales, together with the high purchasing power which readers have for both personal and domestic spending, our publications have proved themselves better-than-ever value for the advertisers. Homemaking, housekeeping, cookery, mothercraft, fashion, health, beauty—all these are our readers' everyday interests. On each of these subjects they seek help and guidance both from the editorial features and from the advertisements.

Despite the constant growth of television and other counter-attractions a number of our periodicals reached all-time peak circulations during the year. In the last week of February, 1954, we sold more than 10,600,000 copies of our weekly publications, and in the same month the public bought over 2,650,000 copies of our monthly magazines. I am sure you will agree that these are remarkable figures.

Our publications are so numerous that I must omit mention of a large number of them in this review of the year's operations. Once again, *Woman's Weekly* has been in the limelight. During the 12 months it achieved the largest average weekly sale it has ever recorded—and this in the teeth of intense competition. Its continual expansion, with a weekly sale now over 1,825,000, has been one of the outstanding features of our company.

Among our monthly magazines, *Woman and Home* has once again reached a higher circulation. With a figure of well over 900,000, it enjoys, as it has done for many years past, a sale far in excess of any other competitor in the same field.

Woman's Journal, pre-eminent among quality magazines for women, has had an equally successful year. Sales have remained steady and advertisement revenue continues to increase. The Coronation Issue with 170 pages was a tour-de-force of editing and production and received high praise from readers and advertisers alike.

KELLY'S DIRECTORIES LIMITED

Kelly's Directories, Limited, and its subsidiaries have again had a most satisfactory year. Group profits, after all charges, have further advanced from £1,295,000 to £1,393,000 this year. After taxation and profit attributable to outside shareholdings, there is a balance of £668,000 compared with £526,000 last year. Of this sum £335,000 against £299,000 has been retained in subsidiaries, leaving a net profit of £332,000. The dividend on the ordinary stock has been increased from 20 per cent to 22½ per cent, £175,000 is again placed to revenue reserve, and the carry forward is slightly raised to £183,000.

THE ASSOCIATED ILIFFE PRESS LIMITED

The year has been a most satisfactory one for the Associated Iliffe Press whose 35 journals cover such a wide range of special subjects.

A number of new circulation records have been set up. Particularly good figures have been achieved in the motoring and aviation fields where *The Autocar*, *The Motor Cycle* and *Flight* have forged ahead.

Farmer & Stock-Breeder has once more exceeded its previous highest total of advertising. For the whole Iliffe group the year's advertising revenue amounted to £3,500,000, an increase of 8 per cent.

FUTURE PROSPECTS

In regard to the current year I should not feel confident in making any exact predictions. In publishing, the major part of our business, results have so far been not unsatisfactory, though production costs still tend to rise and may prevent us from enlarging our activities to the extent we would wish. Moreover, competition will undoubtedly remain very keen. Since the war, the paper-making industry has been accustomed to so many sudden shifts of Government policy that an estimate of its profitability a year hence would entail a large measure of crystal gazing. Taking all our operations together, and you appreciate how widely based they are, there seems no reason why next year's results should be less acceptable than those now before you.

Whatever the future may hold I am certain that the specialised knowledge, experience and skill of our staffs in all sections of our business will be equal to the changes and difficulties which are inevitable in the running of this vast company.

I know that all shareholders will wish to join me in paying a tribute to the enthusiasm, loyalty and hard work of all those who served the parent company and its subsidiaries during the past year.

TRUST HOUSES LIMITED

MERITS OF CONSERVATIVE DISTRIBUTION POLICY

The fifty-first annual general meeting of Trust Houses Limited was held on July 23rd in London.

Captain A. R. S. Nutting, OBE, MC, the chairman, who presided, in the course of his speech, said: Our trading profit of £469,711 for the year under review shows a small increase of approximately £2,000, but after taxation and a non-recurring item (for which we obtained credit last year—namely, interest on our war damage claims), and adding thereto the balance brought forward from the previous year, we have an amount available for appropriation of £252,330 which is £639 more than last year.

We propose to place to reserve for improvement and development of properties, the sum of £80,000. We are not this year making a transfer to the staff benefit fund, and I shall refer to this later.

We propose to pay the same dividend as last year—namely, 8 per cent and to increase our carry forward by £7,000.

On the merits of a conservative distribution policy, I would like to give you an extract from a speech made in January this year by Sir Harry Pilkington, president of the Federation of British Industries. He said "we must persuade our own shareholders, the general investing public, to take a long view. Of any two companies in identical circumstances, making a thousand pounds profit, the one that pays out £700 and invests £300 in the future is worth less, not more, than the one that pays out £300 and invests £700 in the future. There was a parable about the wise and foolish virgins; so often the open market for shares applies false values and pays attention to what was paid out and not what was retained."

As far as your company is concerned, with taxation as high as it is and purchase tax payable on so many items which are tools of our trade, our problem is to retain enough for the future.

ACQUISITIONS AND IMPROVEMENTS

If you will turn to the balance sheet, you will see that our fixed assets have increased by £97,000 and our furniture and equipment by £80,000. We have acquired the Imperial Hotel, Exmouth, the Pendragon Hotel, Southsea, and the George Hotel, Battle. We have also made extensions and improvements to several of our houses, notably to the Angel Hotel, Guildford, Francis Hotel, Bath, Dolphin Hotel, Southampton, Cricketers Hotel, Bagshot, and the Abinger Hatch Hotel, Abinger.

If it were not for the money we plough back into the business each year, and the substantial part of our profits that we spend on keeping our houses up to date, I fear we should not be in the position to maintain our earnings.

We run our business on a small profit margin, our expenses are always increasing under nearly every item, but I think I can claim, and I hope and believe you will agree that we give our customers the best possible value for money.

I have already mentioned that we are not making a transfer to the staff benefit fund, and I would like to tell you what we are proposing to do. We have, as I think our shareholders know, at present in being a superannuation fund for our head office staff; we now propose to inaugurate a pension fund for our managers at our houses. We feel that this is most desirable.

The report and accounts were adopted.

RICHARD COSTAIN LIMITED

ORGANISATION'S STEADY PROGRESS

SUBSTANTIAL CONTRACTS IN HAND

SIR RICHARD COSTAIN ON BOARD'S CONSERVATIVE POLICY

The twenty-first annual general meeting of Richard Costain Limited was held on July 23rd at Rodney House, Chichester Street, Dolphin Square, S.W.1, Sir Richard Costain, CBE (chairman and joint managing director) presiding.

The secretary read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1953:

The group's trading profits in the consolidated profit and loss account amount to £354,017 for 1953 and show an increase over the previous year. After provision for depreciation, interest, taxation and outside shareholders' interests, the net balance of profit applicable to the group is £105,094 compared with £96,543 for the previous year and the amount available in the parent company's accounts is £104,886. Further capital profits on the sale of fixed assets have been realised during the current year and added to general capital reserve account. It will also be noted that there is a considerable reduction in bank borrowings compared with the previous accounts.

The board have given careful consideration to the advisability of recommending an increase in the rate of ordinary dividend which has been maintained at 10 per cent for a number of years. The policy of the board in restricting dividends to the moderate level of 10 per cent has been dictated by the necessity of conserving resources for the development of trading activities. Having regard to the large commitments normally undertaken in connection with our civil engineering work a conservative policy must be continued. However, the board feel that shareholders should participate in the substantial capital profits which have been realised in recent years. They propose, therefore, to recommend a capital (tax free) bonus payment of 3 per cent out of the general capital reserve account. It is hoped that circumstances will permit this capital bonus of 3 per cent to be continued for at least a limited number of years, and it will in future not necessarily be paid at the same time of the year as any proposed ordinary dividend.

AT HOME

The company has a number of substantial civil engineering contracts in hand which it is carrying out with the efficiency which is the constant interest of your board.

Considerable progress is being made with the large hydro electric scheme at Garry in Northern Scotland. Further new work was obtained during the year including a large contract for the LCC at Beckton Sewage Works and in spite of hardening prices it is hoped that satisfactory results will be obtained from these contracts.

Construction of the new Silver City Airfield at Ferryfield, Lydd, was entrusted to the company comprising two runways, terminal buildings, restaurant, Customs buildings, and petrol installations. It is anticipated that the airfield will be in operation at the end of June, and sets a new standard for rapid construction.

We have also obtained further contracts for opencast coal mining during the year.

The policy of de-centralisation has been further extended during the year and branches are now in existence at Plymouth, Bristol, Newcastle and Canterbury.

Further large building projects are being carried out, and we are erecting our own new offices in Westminster Bridge Road, which we hope will be completed in the autumn. These should increase considerably the efficiency and economic running of the head office organisation of your company.

Your subsidiary company, Costain Concrete Company Limited is continuing to take the lead in the production of pre-stressed concrete sleepers for British Railways and have produced their millionth sleeper during the year. Other forms of concrete products are being developed and expanded.

Our associated firm, Costain—John Brown, continues to develop, and is now well established as a chemical construction engineering firm. During the year it purchased the technical assets of Bamag, a chemical engineering firm which specialises in edible oil plants among other things. The oil refinery construction for the Anglo-Iranian Oil Company on which Costain—John Brown is engaged together with British and American associates at Kwinana, Western Australia, is proceeding very satisfactorily.

During the year, the property side has continued to suffer from the Rent Restriction Act and while one appreciates the efforts that are being made by the Government, I am afraid these will only result in a very limited improved return to your company which will not in fact off-set the increased costs of the last fifteen years.

WORK ABROAD

CANADA.—In view of the potential development in Canada, your company has had under consideration for some years extending its operations in this area. After surveying the situation, we have purchased a controlling interest in a company, the Leeds Construction Limited, which is at present operating in Montreal.

KUWAIT.—Our associated company, the Gulf Engineering Company (Kuwait) Limited, in which we are in partnership with Abdulla Mulla Saleh, has continued operations in Kuwait. The work which the company is carrying out includes the erection of a new power station and the construction of reservoirs and water towers. All work, I am glad to report, is well up to schedule. No profits from this side of our activities have so far been brought into the group profit and loss account.

RHODESIAS.—With the advent of Federation, it is felt desirable to establish a permanent organisation in these countries and the board, therefore, is engaged upon forming subsidiary companies in both Northern and Southern Rhodesia. It is hoped this step will lead to greater efficiency. The experience which the company has gained during the past seven years is now proving of real value and the volume of work continues at a satisfactory level.

WEST AFRICA.—The main sea wall of the Apapa Wharf Extension was completed this year 100 days ahead of the original programme. The Ijora and Oji power stations

are both making good progress, and the Costain (West Africa) Company has still continued to make good headway.

It is hoped to maintain and improve upon the present satisfactory progress of our organisation in its various spheres of activity and the board is deeply appreciative of the continued support and co-operation of the staff everywhere.

The report and accounts were adopted and the dividend of 10 per cent, less tax, and capital bonus of 3 per cent (tax free), were approved.

The retiring directors, Brigadier A. G. Bonn, CBE, MC, MICE, and Mr R. M. Wynne-Edwards, DSO, MICE, were re-elected and the remuneration of the joint auditors, Messrs James Worley and Sons and Messrs Peat, Marwick, Mitchell and Company, having been fixed, the proceedings terminated.

G.R.A. TRUST

APPROVAL OF PREFERENCE STOCK REPAYMENT

The twenty-sixth annual general meeting of The Greyhound Racing Association Trust Limited was held on July 22nd in London.

Mr Francis S. Gentle, chairman, in the course of his speech, stated that attendances and totalisator turnover had continued to fall because of the discriminatory 10 per cent pool betting duty: against the £62,000 recommended in dividends, there was a "staggering tax bill" of £1,759,000.

The group's trading profit had nevertheless risen from £213,000 to £234,000, mainly due to careful economies, but patrons' interests were given first consideration and there had been no lowering of "G.R.A. standards."

The accounts and the directors' report thereon were adopted, the 10 per cent dividend on the ordinary stock was confirmed and the retiring directors were re-elected.

Special resolutions for the repayment, pro rata and at par, of 50 per cent of the company's £800,000 8 per cent cumulative preference stock were adopted, subject to confirmation by the court: in the board's opinion the repayment would benefit (a) the holders of the 8 per cent cumulative preference stock, in so far as concerned their remaining £400,000 of 8 per cent preference capital, by increasing the ratio of preferential "cover" available for both income and capital, and (b) the holders of the ordinary stock by reducing a prior charge as regards both income and capital, while leaving the company still adequately supplied with working capital.

Bayerische Hypotheken- und Wechsel-Bank

HEAD OFFICE MUNICH

Foreign Commercial Bank

At the General Meeting on 30th June, 1954, the Capital Stock of RM. 34,012,500 was converted in a proportion of 10:8 into DM. 26,995,000, a Dividend of 8½ per cent as well as a Bonus of 6½ per cent was declared for the year 1953 and the Capital Stock was increased to

DM. 40,010,000.—

Total of the Balance Sheet:

on 31st December, 1953	about	DM. 1,572,414,000
on 30th April, 1954	about	DM. 1,678,875.000

Principal items of the Annual Balance Sheet per 31st December, 1953:

Capital Stock	DM.	26,995,000.—
Reserve Fund	DM.	9,300,000.—
Pension Fund	DM.	44,000,000.—
Deposits	DM.	919,426,206.30
including Savings Bank Deposits	DM.	196,981,076.64
Accounts Receivable	DM.	560,670,214.60
Longterm Loans of Mortgage Department	DM.	321,185,064.85
Bonds in Circulation	DM.	391,101,381.50

Besides the **Head Office Munich** following Branches are licensed as **Foreign Commercial Banks:**

Augsburg, Nürnberg, Ludwigshafen/Rh., Aschaffenburg, Bamberg, Grünstadt, Hof, Kaiserslautern, Kaufbeuren, Kempten, Kitzingen, Kusel, Lindau, Lindenberg, Mannheim, Neustadt (Weinstr.), Neu-Ulm, Regensburg, Schweinfurt, Selb, Weiden and Würzburg, moreover the Branch Grossmarkthalle at Munich.

Munich, July 1954

CONSOLIDATED TIN SMELTERS, LIMITED

HIGHER TONNAGE TREATED

The annual general meeting of Consolidated Tin Smelters, Limited, will be held on August 19th in London.

The following is an extract from the circulated review by the chairman, Mr Clifford Waite, for the year ended March 31, 1954:

The net revenue of the parent company for the year is £335,672, out of which your directors have made appropriations similar to those of last year—£50,000 to general reserve and £50,000 to write down the investment in subsidiary companies. They recommend for your approval a dividend of 2s. 6d., together with a bonus dividend of 6d., making a total of 3s. per £1 ordinary stock, less tax, payable on August 28, 1954. This dividend, together with the dividends on the preference stock, will absorb a net amount of £213,363, and after bringing in the amount of £136,994 brought forward from the last accounts and £736 for taxation provisions no longer required, the balance carried forward on revenue account is increased to £160,039.

EASTERN SMELTING COMPANY

No further payment was received during the year under review by Eastern Smelting Company Limited in respect of its "seizure" claim. Since the close of its financial year, however, advice has been received that a final dividend of 20.4 per cent—making 90.4 per cent in all—has been declared. Eastern Smelting Company Limited has also been advised of the details of an assessment in respect of its claim for damage to property and loss of stocks (other than tin and tin-bearing material).

The aggregate tonnage of concentrates treated in our works during the year was approximately 5 per cent higher than that treated in the preceding year, due in some measure to the shipment of Bolivian concentrates which had accumulated at port as a result of the nationalisation of the large mines in October, 1952.

Apparent world surplus of tin production in 1953 was therefore 45,500 tons. Due to the stockpiling programme in the United States of America and the "insulation" of stocks which that country had accumulated through its official purchases of tin and tin in concentrates, very little, if any, of this surplus production found its way to consumers through the normal channels. The same will probably be true of the year 1954 in view of the prolongation of the operations of the Texas City Smelter and the USA government purchases of tin and tin concentrates from Indonesia, Bolivia, Thailand and Portugal.

LACK OF PROSPECTING

Ever since the Malayan Emergency commenced in 1948, we have been accustomed to attribute the lack of prospecting to that factor. This was, and to a lesser degree still is, correct, but with the decreasing tension in Malaya and the declaration of larger areas as being free of banditry, one would imagine that prospecting would have increased, but such does not appear to be the case to any great extent. In the period prior to the war, prospecting was not encouraged under the Tin Restriction Scheme for reasons which are obvious, but even in those days the granting of a prospecting licence was automatically followed by the granting of a mining lease where results warranted an application to the appropriate authority.

Today there is no certainty that a mining lease will be granted to the successful prospector. This is a deterrent as prospecting necessitates considerable capital outlay which miners are unlikely to incur unless they can be assured with reasonable certainty that they will be granted the necessary lease to work and mine the area that they have proved.

CHARRINGTON, GARDNER, LOCKET & CO.

INCREASING DEMAND FOR SMOKELESS FUELS

The 51st annual general meeting of Charrington, Gardner, Locket & Company, Limited, was held on July 29th in London, Sir John Charrington (the chairman), presiding.

The following is an extract from his circulated statement:

The group profit on trading for the year, after providing for all charges except taxation, amounts to £208,816, which is slightly less than last year.

The company's policy in past years of placing to reserve for deferred taxation on initial allowances the temporary tax saving arising from initial allowances on plant and machinery has been continued. The net amount placed to this reserve is £12,500. With this sum the charge for taxation for the year is £134,721, leaving a profit after tax of £74,095, which is £13,499 higher than last year's figure.

In addition the surplus on sale of assets is higher at £21,217, and tax reserves of earlier years, which have proved surplus and may safely be brought back, amount to £22,184, so that the profit available for distribution or allocation amounts to £117,496, against £86,287 a year ago.

We recommend a final dividend of 12 per cent, which makes a total of 22 per cent, the same as for last year. Of the balance of profit available we have placed £50,000 to general reserves and added £23,771 to the balance of profit carried forward.

TRADING ACTIVITIES

The house coal trade in London has for some years been especially susceptible to weather conditions, and it is not surprising that the results of our London depots, a large and important part of the company's activities, were disappointing when it is remembered that the winter was exceptionally mild right through to late January.

The volume of business in all other departments was well maintained and, indeed, increased on the industrial side.

In the eastern counties, demand for domestic fuel is less dependent on the vagaries of the weather, and our subsidiary companies have operated satisfactorily.

There is throughout our domestic trade a considerable increase in the demand for smokeless fuels, which we are doing all we can to encourage.

In my statement to you last year, I told you of the happy arrangement we had come to with the Vacuum Oil Company. I am glad now to be able to report that our sales of their fuel oils have developed most satisfactorily. Moreover, I am optimistic that the development this year will be even better.

There has been a welcome recovery in the trading of our lighterage department. I mentioned to you last year the launching of our new collier, the *Lady Charrington*, and she has had a very successful year's trading.

The report was adopted.

F. H. LLOYD & COMPANY LIMITED

FURTHER SATISFACTORY PROGRESS

MR F. N. LLOYD ON COSTS AND MANPOWER

The sixty-seventh annual general meeting of F. H. Lloyd & Company Limited was held on July 23rd at the registered office of the company, James Bridge Steel Works, near Wednesbury, Mr F. N. Lloyd, chairman and managing director, presiding.

The secretary, Mr E. Allison, read the notice convening the meeting and the report of the auditors.

The following are the chairman's comments on the report and accounts for the year ended March 27, 1954, which were circulated to the shareholders:

Ladies and gentlemen—The company has continued to make satisfactory progress, as reflected in the higher figure of profit shown in these accounts. After providing for depreciation, £164,556, and taxation, £547,472, the net profit for the group for the twelve months as shown in the consolidated profit and loss account is £332,372. This constitutes a record, the previous best being £316,000 in 1952. The depreciation charge this year is on a more generous scale than hitherto, and this is because of the substantial capital expenditure which has taken place, the total amount affecting F. H. Lloyd & Company, Limited and its two subsidiaries being £367,228.

DIVIDENDS AND RESERVES

During the year, interim dividends were paid of 2½ per cent, less tax, on the 5 per cent cumulative preference shares, and 5 per cent, less tax, on the ordinary shares. The general reserves of the group are increased by an allocation of £235,000 from £550,000 to £785,000. We now recommend the payment of final dividends on the share capital of 2½ per cent, less tax, on the cumulative preference shares, and 15 per cent, less tax, on the ordinary shares, which, in total, will absorb £65,450.

The balance on the appropriation account of the parent company to be carried forward to next year is £101,466, which, with the amount of £19,677 carried forward in the subsidiary companies, makes a total carried forward for the group of £121,143, compared with £98,730 last year. You will notice that, this year, we have adopted the practice of combining the consolidated profit and loss and appropriation account, as it is felt that this method gives a clearer picture of the way the profits are being dealt with.

FACTORS IN THE OUTLOOK

These results are better than seemed to be likely a year ago, but our trading results for the current year have not started off as well. I do not think we can continue as well as this indefinitely, as costs are rising and there are limits to the extent to which we can raise our prices, owing to increasing competition. 25 per cent of our consumable purchases comprises coal, gas and electricity in respect of which we have to face a probability of further price increases. Wages constitute 33 per cent of our total costs, and we are now experiencing the full effect of the increases which have been conceded. With market conditions hardening against us, our earning ability is more than ever dependent on raising the technical efficiency of our manufacturing processes.

The accounts this year reflect for the first time the financial results of the capital issue which was in progress at the time of our last report. Our financial position has thereby been strengthened considerably, and your

board has decided to put in hand further expenditure, which will maintain the rate of our development during the current year. Our objective is not to increase our total manufacturing capacity for steel castings, but rather to improve the quality of our product, and to enable our works to make a wider diversity of castings in quantities which can be more readily varied to suit the changing conditions of the demand for castings in this country.

FULL EMPLOYMENT FOR CURRENT YEAR

It is satisfactory to report that our order book at all three companies is such as to ensure full employment for us during the remainder of the current year. On the general future outlook, we are dependent on the trading conditions in heavy industry generally, but we are confident that we can at any rate hold our share of whatever business is available. The supply of skilled manpower remains a problem, and in two directions, viz., the manufacture of intricate heavy steel castings and of machining work, is likely to prove the limiting factor on what we shall be able to turn out this year. The problem is becoming so severe that our best efforts in the direction of recruitment, training, and the supply of improved equipment have not entirely been able to offset it.

At the beginning of this year, Mr M. C. Lloyd, who joined our board of directors in April, 1951, became a full-time working director with the company, and he now holds the appointment of works director of F. H. Lloyd & Company, Limited.

In conclusion, I think it would be your wish that we should pass a vote of thanks for the efforts of all our employees, both staff and works, for the contribution which they have made to the excellent results now shown.

The report and accounts were adopted, the proposed dividends were approved; the retiring director, Mr C. E. Lloyd, was re-elected and the directors were authorised to fix the remuneration of the auditors, Messrs Agar, Bates, Neal and Company.

HICK, HARGREAVES AND COMPANY

RECORD NET PROFIT

WORKS IN FULL PRODUCTION

MR W. D'ARCY MADDEN'S SPEECH

The sixty-third annual ordinary general meeting of Hick, Hargreaves and Company, Limited, was held on July 28th at Bolton.

Mr W. D'Arcy Madden, CBE, JP, chairman and managing director, who presided, said: The company has again had a successful year and both the profits earned and the financial position are very satisfactory. The net profit before taxation and after deducting the normal depreciation is £453,741, a record for the company and an increase of 13 per cent over the previous year. Tax requirements amount to £245,634, and with £31,355 brought in from last year, the balance available is £239,462.

From this sum, your directors have set aside £65,000 to be added to the plant replacement and extension reserve. This provision has the effect of increasing the normal amount reserved through depreciation to an amount which would have been needed to provide for replacement if the fixed assets were taken at something like their true value today. You will remember that £50,000 was reserved for this purpose last year.

Your directors have also decided to write down the "goodwill" from £40,000 to the nominal figure of £1, thereby strengthening the balance sheet and achieving an aim they have long had in mind.

A sum of £20,246 has been allocated to the general reserve fund, bringing that reserve up to £420,000. No addition has been made to the stock depreciation reserve which remains at £30,000 and which is considered to be sufficient provision.

LARGER DISTRIBUTION

The final dividend recommended is again 15 per cent, but on the increased capital. With the interim dividend paid in December last of 5 per cent on the then capital, the dividend distribution is increased this year by £19,500 after tax.

We are continuing our established policy of setting aside a portion of the profits for a bonus to the employees of the company, and in view of the larger profits this has been increased and amounts to £20,000. This is the seventh successive year in which a bonus has been provided and the sum so distributed is now £100,000.

The pension supplementary reserve, which was inaugurated two years ago, receives £7,160, which brings up this reserve to £25,000 after some expenditure on the purchase of annuities during the year. There is no allocation this year to the benevolent and welfare trust fund and the capital of this fund, in the hands of the trustees, remains at £30,000.

BALANCE SHEET ITEMS

Turning now to the balance sheet, you will notice some important changes since last year. At an extraordinary general meeting held on January 27th, it was decided to capitalise £168,000 standing to the credit of reserve funds of the company by the issue of one bonus share for every two shares held, thereby raising the issued share capital to £504,000. This transaction required the whole of the capital reserves which consequently no longer appear in the balance sheet.

You will also notice with satisfaction that the mortgage debenture of £50,000 held by the bank has been redeemd during the year from our cash resources, which notwithstanding remain substantial and satisfactory.

VALUE OF ASSETS

I have already referred to the writing down of the goodwill item on the assets side of the balance sheet. The fixed assets stand at £180,180, but their true value today is probably around £800,000. Your directors are of the opinion that a revaluation of the fixed assets should be available and Messrs Airey Entwistle and Company have been instructed to carry out this work for us during the coming autumn.

The net current assets after deducting all liabilities and appropriations amount to the satisfactory total of £1,236,405, an increase of £70,093 over last year notwithstanding the redemption of the mortgage debenture.

I have already referred to the cash position, which you will see from the balance sheet stands at the considerable figure of £317,977—you will also notice that this sum is nearly equal to the cash payments received on account of work-in-progress. As I have remarked on a previous occasion, we are fortunate in being able to secure progress payments with our major contracts and should these conditions alter it would be necessary to find means of financing our long date commitments.

HEAVY ORDER BOOK

The works have continued in full production throughout the year and are fully occupied with a heavy order book which exceeds £4 million sterling, including condensing plant and feed heating contracts for the British Electricity Authority for commissioning up to the end of 1958.

The heavy-bay extension to the engineers' shop will be in commission by the end of this year and will enable the handling of contracts for the large condensing plants of 120 mw and 200 mw which will be required by the BEA in the near future.

We have recently received orders for auxiliary equipment in connection with the first atomic power station for this country and we attach great importance to having entered this field right at the beginning.

Our deaerating and high vacuum plants have maintained their high reputation in many industries, a reputation secured through continual research and development. To forward this important side of our business, plans are being prepared for the construction of new and improved testing and research equipment, which will greatly facilitate this important work.

Our rotary compressor department continues to expand in a satisfactory manner. The special work we are doing for the Admiralty and for the Ministry of Supply continues to occupy an important section of the works.

The shortage of technicians and of skilled engineers in the engineering industry continues to be a major difficulty—limiting output and the quicker deliveries now demanded.

With a view to further improving our efficiency, your directors have engaged the services of an eminent firm of industrial consultants to examine and report on all aspects of our organisation and methods.

CHANGE IN DIRECTORATE

Since our meeting a year ago, Mrs C. L. Wright has retired after twenty one years' valuable service on the board of directors. Group Captain E. C. Lewis was appointed to the vacancy and in accordance with the Articles of Association now retires and presents himself for re-election.

Mr C. Metcalfe retired last month after twenty six years as secretary to the company. The directors desire to place on record their appreciation of his services. Mr J. L. Leyland, the assistant secretary, has been appointed secretary to the company in succession to Mr Metcalfe.

The relations between the management and the employees of the company continue to be happy and satisfactory, and I take this opportunity to thank them all for their good work and loyal service during the past year which has made possible the excellent results we have achieved.

The report and accounts were adopted.

THOMAS DE LA RUE AND COMPANY

MARKED IMPROVEMENT IN FORMICA SALES

The fifty-seventh annual general meeting of Thomas De La Rue and Company, Limited, was held on July 28th in London.

Mr Bernard Clement Westall, CBE, MA (the chairman), in the course of his speech said: Stockholders will observe that the financial position shows a considerable improvement compared with the position a year ago. The principal feature is the repayment of the bank loan of £900,000 and the increase in the cash at bank and on hand from £70,674 to £176,049.

Current assets of £2,814,745 exceed current liabilities by £1,343,325—an improvement of £631,402 over last year's figure. The reasons for this big change in the liquid resources of the company are, first, the absence of any considerable capital expenditure coupled by the sharp improvement in the trading profit; secondly, the more rapid turn round and reduction of stocks. Thirdly, the general tightening of financial control.

Profit on trading has risen from £497,561 to £847,883, and after deduction for depreciation, bank interest, etc., from a loss of £71,020 to a profit of £517,040.

There is a profit for the year after taxation provisions, which require £360,333, of £156,707 against a loss last year of £122,902.

After various adjustments and allocations, including the payment of a dividend of 20 per cent less tax, the balance to be carried forward will be £309,006 compared with £210,535.

The Security Printing Division: It is a matter of some satisfaction that the profits of this important section of the company's interests have been maintained at such a satisfactory level in spite of the loss of so much turnover when China ceased to be a customer.

The main reason for the improvement in the profit and loss account has been the marked increase in the sales of our decorative laminates. These are known by the trade names of "Formica" and "Traffolyte." While export sales had a much better year and, in particular, there was some recovery in our Australasian trade, the main improvement lay in the increase in the home market. This increased demand has enabled the factory to revert to full-time operation. The use of "Formica" has expanded very considerably. The sale of "Delaron," our industrial and di-electric laminate, has steadily improved. During this current year a further improvement in the results of the Plastics Division may be expected.

The results of the gas division were somewhat disappointing. New plans, however, for the development of our gas cookers and other appliances are in hand. The sale of "Potterton" boilers has been well maintained during the period under review. We are hopeful that the new types, coupled with the reorganisation of the division that has been carried out, will bring about an improvement in the results for the current year. The full benefit, however, must of necessity be felt gradually.

In the stationers division the sale of playing cards has dropped slightly during the year, the sale of "Onoto" diaries has remained steady, while there has been a small improvement in the sale of "Onoto" pens. The board have long-term plans which we hope will, ultimately, bring this division into a more satisfactory condition.

The report and accounts were adopted.

GROSVENOR HOUSE (PARK LANE)

EMINENTLY SATISFACTORY RESULTS

ATTRACTIONS FOR HOME AND OVERSEAS VISITORS

The twenty-sixth annual general meeting of Grosvenor House (Park Lane) Limited, was held on July 29th at Grosvenor House, Park Lane, London, W.1, Sir Charles S. Taylor, MA, DL, MP (the chairman) presiding. The following is an extract from his circulated statement:

Last year I was able to report the highest profits in the Company's history. This year we have again broken all records by showing a further increase of £78,000. I think you will agree that these results are excellent.

While I am satisfied that the results are due in part to the cumulative effect of the company's publicity campaigns, both at home and overseas, and to the continuation of the "Come to Britain" drive of the British Travel and Holidays Association, I must remind you that the Coronation which took place during the year under review certainly produced an increase in turnover and profits and also had the effect of extending the London Season.

Taking these factors into account your directors recommend that the dividend should be raised to 10 per cent and an additional 5 per cent Coronation bonus be paid, making 15 per cent in all.

APPEAL OF GROSVENOR SERVICE

Grosvenor House has benefited during the last few years by the increase in the number of visitors from overseas, but it is not possible to run a hotel profitably without a steady cushion of regular customers from Britain. Because of high taxation, there are now fewer British people spending money in restaurants. In spite of this Grosvenor House is more than holding its own and, because of the excellence of the service and the high quality of the food and cooking, attracts a very fair proportion of regular "diners out."

To cater for tourists from abroad certain restaurants are permitted to remain open until 2.30 a.m. excluding Saturdays and the restaurant at Grosvenor House does in fact serve a large number of these visitors who do not all want to go to bed at eleven o'clock.

Maintenance continues to occupy our close attention, and this really includes not only normal repairs but also, because of the nature of our business, re-decoration, re-furnishing, modernisation and improvements.

A good deal of what we consider to be proper and ordinary maintenance is regarded by the tax authorities as capital expenditure. We have always regarded this taxation as inequitable and, from the Treasury's point of view, unwise. It is helping to starve the goose that lays the dollar eggs.

The end of rationing will undoubtedly cause keener competition in the catering trade. This is a good thing and we welcome it. I was delighted when a few weeks ago at the International Competition held at Berne, Switzerland, a team of six British cooks entered, and won twenty-one gold and six silver medals. The National Apprenticeship Scheme for cooks is now running satisfactorily and will help further to improve the standards of British cooking.

Finally, I am indeed glad to tell you that thousands of visitors have gone out of their way to compliment the directors and management on the courtesy and efficiency of our staff.

The report was adopted.

THE A.P.V. COMPANY LIMITED

RECORD VOLUME OF ORDERS IN HAND

The forty-fourth ordinary general meeting of The A.P.V. Company Limited was held on July 28th, in London, Dr Richard J. S. Seligman, PhNatD, FCGI, FInstMet, FIM (the chairman), presiding.

The following is an extract from his circulated statement:

In addressing you last year I drew attention to the adverse conditions which then faced your company and their effect on its trading results. At the same time I pointed out that in the opinion of your directors those adverse factors would not all persist and that there was evidence that large demands existed for plant and equipment made by your company which would result in improved trading if certain obstacles and restrictions could be removed. The months which followed this statement brought ample evidence that it was fully justified.

Indeed, in the second half of 1953 the orders received by your company were some 50 per cent greater than in the first half of 1954 and at an increased rate so that, at the moment, the orders in hand of your company stand at a higher figure than they have ever reached before.

It is clear, as it was clear at the time when I addressed you last year, that this improvement could not come in time to affect the 1953 results, but it does give us considerable encouragement when looking to the future.

FUTURE PROSPECTS

Now I will turn for a few minutes to the hazardous task of looking into the future and let me say at the outset that the picture, as I see it, is far from being discouraging.

I think it reasonable to assume that in so far as the dairy industry is concerned, your directors are justified in anticipating not only a maintenance of the present high rate of demand for your company's products but a gradual manageable increase, an increase which the relaxation of control over credits should facilitate.

Your directors feel that they can count on not only maintaining your company's sales to the brewing industry at their present level but that a gradual increase is to be expected over the next few years.

In the food industries your directors look forward to continued and expanding sales in many parts of the world.

In general, your directors feel that they can look forward to a steady growth of the sales of your chemical engineering department and that this will be facilitated by the promising entry which has been effected into the coal carbonisation by-products and similar fields.

The orders received in 1954 to date for bulk transport tanks are at a higher rate than in either of the previous years.

The general engineering department is almost exclusively concerned with meeting the needs of the defence departments. I believe I am justified in saying that the departments in question have not been disappointed in the quality of the equipment produced. It is obviously impossible to foretell for how long this department will be engaged on work of the kind in question, but it can be said without hesitation that the contracts already allotted to it will carry it well beyond the end of the current year.

The report was adopted and the dividend of 10 per cent approved.

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES

PROGRESSIVE RELAXATION OF CONTROL URGED

The forty-fourth annual general meeting of The London County Freehold and Leasehold Properties, Limited, was held on July 26th in London.

Mr Thomas J. Cullen (chairman and managing director) in the course of his speech said:

Our gross rental income for the year was £2,294,026, being £76,779 more than last year. The net revenue was £295,294.

All property outgoings continue to rise. The new Housing Repairs and Rents Act will help towards recovering the increased cost of repairs, and the increased cost of services up to the date of commencement of the Act. Its provisions must surely be looked upon as a "first step" only.

Only by progressive relaxation of control can the anomalies that have been created by the Rent Acts be satisfactorily removed.

Tenants of rent restricted property have, in fact, been subsidised by their landlords, in our case out of the earnings of our commercial properties.

Beginning with a portion of the current year to March, 1955, we should be able to start giving stockholders the benefit accruing from our investments, principally commercial, made since 1939.

It is abundantly clear that under the terms of the Act a landlord will only recover a limited increase for his increased expenditure on repairs and the increased cost of services.

Rents that are increased up to the limits of the Act will still be far below those which it would be economic to charge if based on the present-day cost of building, but a valuation for the purpose of sinking fund provisions will now be possible on the basis of the new rents recoverable. We shall, when the new rents have become effective, recalculate the sinking funds for the whole of our properties for the purpose of providing for a continuation of the income when leases fall in or freeholds require to be rebuilt.

I maintain that asset values and sinking fund provisions should be related to each other. For this purpose, then, it is essential to see that the properties are valued on an income basis, and the sinking fund provisions are adjusted to be in line with this.

This revaluation might possibly give rise to the suggestion that property assets should be valued at their market value. I should immediately join issue with such a proposal, insisting that the value of the assets of a property investment company (as distinct from a finance company) must be calculated on their value to that company on the basis of what they can earn after making due provision for amortisation according to the length of the lease. I have no doubt that your board, ignoring fluctuations in market value, will secure that the properties of this company are valued on the basis of maintainable income.

Our property investments and capital improvements still make steady progress.

It is unfortunate that a good landlord, who is also a capable property manager, is frequently misunderstood. We do, in fact, obtain our results from careful finance and borrowing at advantageous rates—certainly not from high rents.

The report was adopted and the total dividend of 1s. 1½d. per 10s. unit of ordinary stock was approved.

WALSALL CONDUITS

RANGE OF PRODUCTS FURTHER EXTENDED

MR A. E. READ ON THE STOCK POSITION

The eighteenth annual general meeting of Walsall Conduits Limited was held on July 23rd in Birmingham, Mr Albert E. Read (the chairman) presiding.

The following are extracts from his circulated statement:

The group trading profit for the year ended December 31, 1953, before providing for taxation, was £405,561 compared with £360,217 for the year 1952. The provision for taxation in this year's accounts of both parent and subsidiary companies includes the whole amount of income tax liability for the year to April 5, 1954, payable January 1, 1954, whereas in past years the amount provided was limited to the liability accrued to December 31st.

After making provision for all taxation amounting to £259,430 as compared with £201,025 for 1952, the final net profit of the group was £146,131 as against £159,192 for 1952. The increase of £45,000 in the trading profit was thus exceeded by the larger provision for taxation.

The subsidiary company, A. G. Hackney and Company Limited, has incurred a loss for the year 1953 after providing for taxation of £6,879 compared with a loss of £15,020 for the previous year. The figures for the first five months of 1954 show some improvement over those of the corresponding period of last year.

ADDITIONAL COSTS ABSORBED

The year 1953 might be called a year of change, the decline in demand which occurred in 1952 continued until September, 1953, when an abrupt change took place; demand suddenly increased and we were again in full production.

During the year under review competition was keen whilst costs continued to rise, but I am pleased to say that reorganisation in methods of production has enabled us to absorb all additional costs and even to reduce many of our selling prices. We have continued to extend our range of products, and also the area of sales. Exports for the year under review reached record figures, and much more could be done in this field if it were not for import restrictions, but this is a matter beyond our control and requires to be dealt with at governmental level.

Sales for the first five months of 1954 exceed those of the same period of last year. At the present time we have a full order book and I feel we can look forward to the future with confidence.

STOCK POSITION

The group balance sheet shows a decrease in the value of stocks held at December 31, 1953, of £81,000 and this partly accounts for the increase of £187,000 in the cash at bankers. It is indeed a difficult matter to build up and maintain a well balanced stock adequate to meet customers' requirements. The directors have given careful consideration to this question and have succeeded in reducing to reasonable dimensions the amount of stocks on hand without in any way impairing delivery efficiency and efforts will continue in this direction to enable stocks to be reduced to an absolute minimum, consistent with the maintenance of an efficient sales service. I am convinced that much saving of space and money can be effected in this way. The report was adopted.

OHLSSON'S CAPE BREWERIES

A SATISFACTORY RESULT

The sixty-fifth annual general meeting of Ohlsson's Cape Breweries, Limited, was held on July 28th in London.

Mr Geoffrey Dent (the chairman) presided and in the course of his speech said: The profit from trading and rentals increased by £71,826, which I hope you will agree is a reasonably satisfactory result. Although there appeared to be a greater feeling of confidence, spending power remained low, and up till November profit margins continued to decline. Expenses, and in particular carriage rates, rose sharply.

Our total barrelage over the period showed a slight reduction. There was a decline in sales at the Cape, and to a lesser extent in the Transvaal, but these falls were largely offset by increases in Natal and Rhodesia.

At the end of November the government suspended price control on all beers. Following this suspension the price of Lager, Pilsener, Ale and Special was raised by 9d. wholesale and 1s. retail per gallon. The price to the public was thus raised by 1d. per pint. While this increase has restored a reasonable profit margin, it was bound to have some effect on consumption. It is too early as yet to say what the final extent of that effect will be.

With regard to the future, sales so far this year have been at about the same level as those of the previous year. The better profit margin obtained by the increase in price should benefit the earning capacity of the business if the level of trade can be maintained.

The report was adopted.

GEO. BASSETT & CO.

ALL PREVIOUS RECORDS SURPASSED

The twenty-eighth annual general meeting of Geo. Bassett & Company, Limited, was held on July 29th in London, Mr E. M. Mott (chairman and managing director) presiding.

The following is an extract from his circulated statement:

The year was a record-breaking one in every respect, profits, output and turnover all attaining new levels far in excess of any previously achieved in the company's history. For fourteen years we had been confined within a close network of controls which afforded little or no scope for enterprise and initiative. During this long period, however, we never relaxed our preparations for the eventual dawn of the day of freedom. The accounts represent the first, though by no means I think the final, fruits of those preparations.

The demand for all our leading lines—and particularly for liquorice allsorts—remains so heavy that we are still compelled to allocate supplies to our customers.

In my statement a year ago I told you that I did not anticipate any expansion in our export trade during the ensuing year. Actually there was a small increase of 10 per cent. In view of the increasingly keen competition we have to meet in all markets I think this is adequate testimony to the growing popularity of Bassett products overseas.

Profits for the current year so far are running ahead of last year's record level. Although we are sparing no effort to increase production still further by every possible means, it may well be some time before we are able to catch up with demand.

The report was adopted and a total dividend of 25 per cent was approved.

HACKBRIDGE AND HEWITTIC ELECTRIC COMPANY

CONSIDERABLY INCREASED OUTPUT AND DELIVERIES

The forty-eighth annual general meeting of Hackbridge and Hewittic Electric Company, Limited, was held on July 26th at the office of the Registrars, Anglo-Scottish Amalgamated Corporation, Limited, Hasilwood House, 68 Bishopsgate, London, E.C.2. Mr Douglass Hewitt presided.

Before proceeding with the business of the meeting, Mr Douglass Hewitt referred to the great loss sustained by the board, shareholders and employees in the death on July 13th of the chairman, Mr T. F. Lister, who had been associated with the company for 29 years. The present strength and success of the company was due, in no small measure, to the untiring and devoted efforts of Mr Lister.

LATE CHAIRMAN'S STATEMENT

The following is an extract from the statement by the late chairman, which had been circulated with the report and accounts for the year ended March 31, 1954. The trading profits of the group amount to £504,000, an increase of £44,000 over the previous year, which reflects a considerable increase in output and deliveries during the year.

In order to meet the demands for higher voltage transformers and to facilitate and improve the methods and conditions of manufacture, it was decided to extend the main transformer assembly bays and test equipment which it was hoped to have available for use within a few months. During the past twelve months the two largest rectifier installations made by this company were commissioned in the USA. These are the largest glass bulb unit installations in the world. Other large rectifier installations put into service during this period were eight sub-stations for the British Railways Southern Region (out of a total of 28 on order) and a particularly interesting change-over scheme at Bond Street for London Transport which is to be followed by a similar but larger installation at Charing Cross.

The order book of the company is satisfactory and ensures full output in all divisions during the coming year. Incoming orders, however, show a decline over previous years which may well affect output during the following year unless there is a change for the better in this respect in the near future.

After providing for all outgoings and taxation, the net profit of the group for last year amounts to £167,700. The directors have transferred to general reserve the sum of £75,000, and they recommend the payment of a final ordinary dividend of 20 per cent making a total of 25 per cent, less tax, for the year, compared with 20 per cent paid for the previous year. The dividend expressed as 25 per cent on the ordinary stock is, in effect, actually only 10.7 per cent on the real capital employed, and it is in this light that the rate of dividend should be considered. We are pleased to record, too, that our employees have benefited by the increased output and profits to the extent of a sum totalling £120,000, which represents an increase of 24 per cent over normal wages and salaries. This payment to employees has been made in the form of output bonus, long service bonus, provisions for pensions, canteen services and holidays-with-pay.

The consolidated balance sheet shows that the capital, reserves and undistributed profits of the group amount to £1,518,000, an increase of £90,000. The report was adopted.

RUSTON & HORNSBY

WAGES, COSTS AND PRICES

The sixty-fifth annual general meeting of Ruston & Hornsby Limited was held on July 29th in London, Mr W. J. Ruston, chairman, presiding.

The following are extracts from his circulated comments on the report and accounts for the year ended March 31, 1954:

Total despatches of the group show a slight decline on the previous year. This fall in itself would have affected earnings very little but there has been a rapid and general increase in costs with the result that trading profits of the group at £2,006,021 show a fall of £322,918. Group net profit is £1,062,703, a fall of £63,819.

After deducting £323,426, retained in the accounts of subsidiaries, the net profit dealt with in the accounts of the holding company is £739,277. Of this £440,488 has been appropriated to general reserve, whilst the balance on profit and loss account has been increased by £3,989. The difference represents distribution to shareholders, i.e., dividend on the preference stocks and the proposed payment of 12½ per cent on the ordinary stock.

These distributions should be considered in relation to earnings as well as in terms of the return made to those whose funds are invested in the business. The total distributed is £294,800, which is only 28 per cent of the net earnings of the group. Expressing this as a percentage on the capital employed, which is more truly representative of what has been invested in the business, shows a quite modest net return of 2.2 per cent.

I feel I must again emphasise that the amount of £1,164,000 taken by the Treasury is nearly four times that distributed to shareholders. Further comment is superfluous.

OPERATING REVIEW

There has been a rapid increase in the costs of most of our products, despite the most careful scrutiny of costs. This is hardly surprising when one considers that claims for increased wages have become almost a yearly event. I refer to the November, 1952, and the April, 1954, wage increases. In view of the much more intensive competition we are facing in world markets in what is predominantly an export trade, the difficulties of licensing regulations and lack of sterling in many of our most important markets, we felt that we could not hope to maintain our position and turnover as exporters if we were to raise our prices in accordance with increased wages and consequently increased costs. We have therefore felt it absolutely essential, in the national interest as well as our own, to try to maintain and in some cases even to reduce our present prices, rather than pass on the increased costs to our customers.

As I see it, if we are to have these constantly recurring demands from labour for increased remuneration, the only foreseeable end is a general reduction in sales due to our being priced out of world markets, leading in turn to decreased profits and consequent inability to spend the necessary capital on replacements and the maintenance of our plant in an up-to-date and efficient condition. Moreover, this state of affairs, if persisted in, can only in the end lead to unemployment.

The demand for our products in the Commonwealth remains good. I feel that the current year's trading should be on a reasonable scale commensurate with our production capacity, although, because of increasing costs, the rate of profit may be further reduced. The report was adopted.

NCHANGA CONSOLIDATED COPPER MINES LIMITED

(Incorporated in Northern Rhodesia)

RECORD PRODUCTION AND PROFITS

SIR ERNEST OPPENHEIMER'S STATEMENT

The following is an extract from the statement by the chairman, Sir Ernest Oppenheimer, circulated with the annual report and accounts for the year ended March 31, 1954:

The results for the year to March 31, 1954, include four months' sales to the United Kingdom Ministry of Materials at negotiated prices related to the United States export price and eight months' sales at rather lower prices based on the London Metal Exchange quotations. The latter, after an initial sharp drop from the last United Kingdom controlled price of £252 a ton, rose gradually but almost uninterruptedly from an average price of £227 in August last year—for prompt copper—to an average price in June this year of £239 per ton.

There has, moreover, been a notable narrowing in recent months in the discount of the price of copper for delivery three months forward as against the prompt price; this discount, or backwardation, has come down from £15 15s. per ton at the beginning of March to £2 7s. 6d. per ton at the end of June, a trend which provides satisfactory confirmation of the underlying strength of the market for at least the immediate future.

NEW RECORD COPPER PRODUCTION

Production of finished copper, at over 115,000 long tons, set a new record, but included 5,000 tons from treatment of excess stocks of process copper at the refinery at the previous year-end. New production for the year was almost 110,000 long tons, and exceeded the target rate of production under the Third Stage Extensions programme—which had been set at 108,000 long tons per annum—even though all the additional plant under the programme was not available for the whole of the year.

FOURTH STAGE EXTENSIONS PROGRAMME

The fourth stage extensions programme now authorised is expected to cost about £2,500,000. It is intended to ensure the continuance for many years of the present rate of production, although it will also provide a practicable basis from which to initiate future expansion if such should appear warranted.

The desirability of spreading mining operations more evenly over the ore reserves has been very much in mind for many years, and the intention now is to mine simultaneously from the Nchanga West and Nchanga Orebodies—a reduction in the rate of mining at Nchanga West being offset by mining a much greater tonnage of Nchanga ore, so that despite the latter's lower grade, overall production of copper will not be affected.

After full investigation the consulting engineers put forward recommendations for extracting Nchanga ore by open-pit methods, and your board accepted these recommendations. Production from the pit should begin in 1957.

In 1951 I informed members that a further drilling programme was in progress; results to date indicate an addition of about 14,500,000 tons of ore, at the very satisfactory grade of 6.48 per cent copper, to the existing reserves in the Nchanga West Ore-

body which, in round figures, amount to 37 million tons at 7 per cent. copper.

FINANCIAL RESULTS

It is very gratifying to be able once again to report a record profit. A reduction in average selling price as against the preceding year was more than made good by increased sales—even though sales were restricted by the absorption of a substantial slice of the year's production in the lengthy "pipeline" to overseas consumers which had to be filled when the free market in copper was re-established.

A reserve of three-quarter million pounds existed against this eventuality, and has therefore been added to the year's profit, together with over half a million pounds from tax liabilities previously overestimated, to give a disposable profit for the year of just over £10 million. Of this sum it is proposed that £7 million shall be paid as dividend, at the rate of 20s. (net) per unit of stock, and that £3 million shall be transferred to general reserve.

FUTURE TRADING OUTLOOK

Although I can give no opinion on the long-term trend of prices, I feel justified in saying that there appears to be no immediate prospect of a weakening of the market. The bulk of the company's output is under contract for delivery over varying periods ahead on satisfactory terms and we do not anticipate much difficulty in disposing of the balance.

PERIOD OF RELATIVE CONSOLIDATION ENVISAGED

Although only 17 years old, your company may now be said to have reached maturity. Its physical expansion is for the time being almost complete and it is entering on a spell of relative consolidation. In terms of output, it ranks as one of the largest copper mines in the world and, if the measure be ore reserves, it is among the richest; I am confident that your company has before it a long and prosperous trading career.

Copies of the annual report and accounts are obtainable from the Head Office, Kitwe, or from the Transfer Offices at 44 Main Street, Johannesburg, or at 11 Old Jewry, London, E.C.2.

WILLIAM HANCOCK AND COMPANY

HIGH QUALITY OF PRODUCTS

The sixty-seventh annual general meeting of William Hancock and Company, Limited, was held on July 29th in Cardiff, Colonel J. Gerald Gaskell, CB, TD, DL (chairman and managing director), presiding.

The following is an extract from his circulated statement:

The net profit for the year ended March 31, 1954, amounted to £93,172, an increase over last year's figure of £5,373. Your directors have pleasure in recommending an increase in the total distribution on the ordinary stock from 15 per cent paid last year to 16¼ per cent to be paid this year.

The trade has remained very stable and this, I think, can be attributed to the high quality of our beers which has enabled us to stand up to the severe competition that we have had to meet during the last few years.

As you will see from the directors' report they are recommending an increase in the authorised share capital of the company and the issue to ordinary stockholders of 143,000 ordinary shares of £1 each, credited as fully paid up, by way of capitalisation of reserves. I should like to make it clear that the primary object of the issue is to improve the financial structure of the company and to bring its issued capital more into line with the present day value of the assets. It does not, of itself, indicate an increase in the total amount to be distributed by way of dividend on the ordinary stock.

The report was adopted and the capitalisation and bonus issue proposals sanctioned.

MILLARS' TIMBER AND TRADING COMPANY, LIMITED

PROPOSED CAPITAL REORGANISATION

The annual general meeting of Millars' Timber and Trading Company, Limited, was held on July 23rd in London.

Colonel Clive E. Temperley, OBE, MC, BSc, presiding, in the course of his speech, said: For some time your directors have been considering the capital structure of the compahy. In 1936 the capital of the company was reorganised. Substantial arrears of preference dividends were wiped out and the nominal value of the issued ordinary shares was written down from 20s. to 4s. Since then your company has consistently earned profits and has ploughed back a large part of them into the business. In this way it has accumulated substantial reserves and has replaced as least some, if not all, of the capital previously lost. Your directors therefore think the time has come to replace some of the amount written off the ordinary shares 18 years ago. One of the overall effects of the scheme is that the nominal value of the ordinary shares will be written up from 4s. per share to 10s. per share.

The total charge ahead of the ordinary shares is £55,250 per annum, which compares with an ordinary dividend of £68,000 on the 30 per cent basis we recommend this year. The capital is therefore particularly high-geared in that the prior charges amount at present to nearly as much as the ordinary dividend and, secondly, the capital includes non-cumulative preferred ordinary shares which are, in fact, non-cumulative preference shares—not a very attractive form of security.

CAPITAL STRUCTURE SIMPLIFIED

Your directors think that all members of the company would benefit if its capital structure were simplified and the preferred ordinary shares done away with. This would reduce the prior charge standing in front of ordinary dividends and would improve the general marketability of the company's issued capital. They accordingly propose to seek the approval of shareholders for the conversion of five preferred ordinary shares of 10s. each into three ordinary shares of 10s. each.

The consent of the Capital Issues Committee has been obtained, and it is proposed that the scheme shall take effect as from January 1, 1954. Thus the preferred ordinary dividend of 6 per cent, recommended in the accounts, will be the last preferred ordinary dividend paid and the new ordinary shares which holders of preferred ordinary shares will receive will rank for ordinary dividend in respect of the profits earned in this year of 1954. You will have full particulars early next month. The directors strongly recommend the scheme to you for your acceptance, and they hope that, if you agree, you will not fail to send in your proxies in favour of the proposals as soon as you receive them.

The report was adopted.

WALKER CAIN LIMITED

CONTINUED UPWARD DEMAND FOR BOTTLED BEER

The thirty-second ordinary annual general meeting of Walker Cain Limited was held on July 29th in London.

The Rt Hon Lord Brocket (the chairman) presided, and in the course of his speech said: I feel sure the results of the year's trading will meet with your approval. Output was maintained and, bearing in mind a recession in the country's output during the latter part of the period, this can be regarded as satisfactory. In the face of a continuing upward demand for beer in bottle we note with some pleasure that our sales of draught beer have suffered only a small decline. In spite of all our efforts we are still carrying too heavy a burden of taxation when comparison is made with that levied on other consumer goods.

Another branch of our business which has progressively increased its home sales is our wine and spirit department. In the export market we are hopeful of extending our activities particularly in the hard currency areas.

Our profit from trading shows an increase of £72,739. The provision for taxation on the profits of the year (profits tax and income tax) requires £34,817 more and after deducting other items detailed with relatively small differences our net profit of £598,555 shows an increase of £35,021. In view of the improved results your board recommend an increase of 2 per cent in the final dividend on the ordinary stock.

The report was adopted.

UNIVERSITY OF CAMBRIDGE

Applications are invited for three posts of Assistant Agricultural Economist in the School of Agriculture. Qualifications should include a University degree in Economics or in Agriculture. Consideration will be given to candidates graduating this autumn. Salary scale, £396 rising to £676 (men) and £571 (women). Starting salary will depend on qualifications.—Further particulars are obtainable from the Secretary, School of Agriculture, to whom applications should be sent before September 1, 1954.

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Applications to The Secretary, Ashridge, Berkhamsted, Herts. Tel.: Little Gaddesden 3191.

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Applications are invited from LECTURERS prepared to undertake part-time evening lecturing in Economics (Principles and Allied) to students preparing for Part I Final examination London B.Sc.(Econ). Classes commence September 27, 1954; attendance required on two evenings per week.—Application forms from the Secretary, City of London College, Moorgate, E.C.2.

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It is announced by the directors of both Companies that an interest in the business of W. P. Martin & Co. Pty. Ltd., of Sydney and Melbourne, has been acquired by J. Whittingham & Sons Ltd., of Bradford, and that, in future, the business will be styled W. P. Martin, Whittingham Pty. Ltd.
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AMERICAN private organisation located on Continent requires Chief Analyst to specialise in audience research techniques concerning effectiveness of broadcasts to Iron Curtain countries. Applicant should have some knowledge of political problems of East European countries and experience in using social science research techniques; also ability to evaluate and write reports. No language requirements. Salary for appropriate person would exceed £1,000 plus furnished housing for self and family and transportation.—Full particulars including picture, should be furnished in first letter to Box 643.

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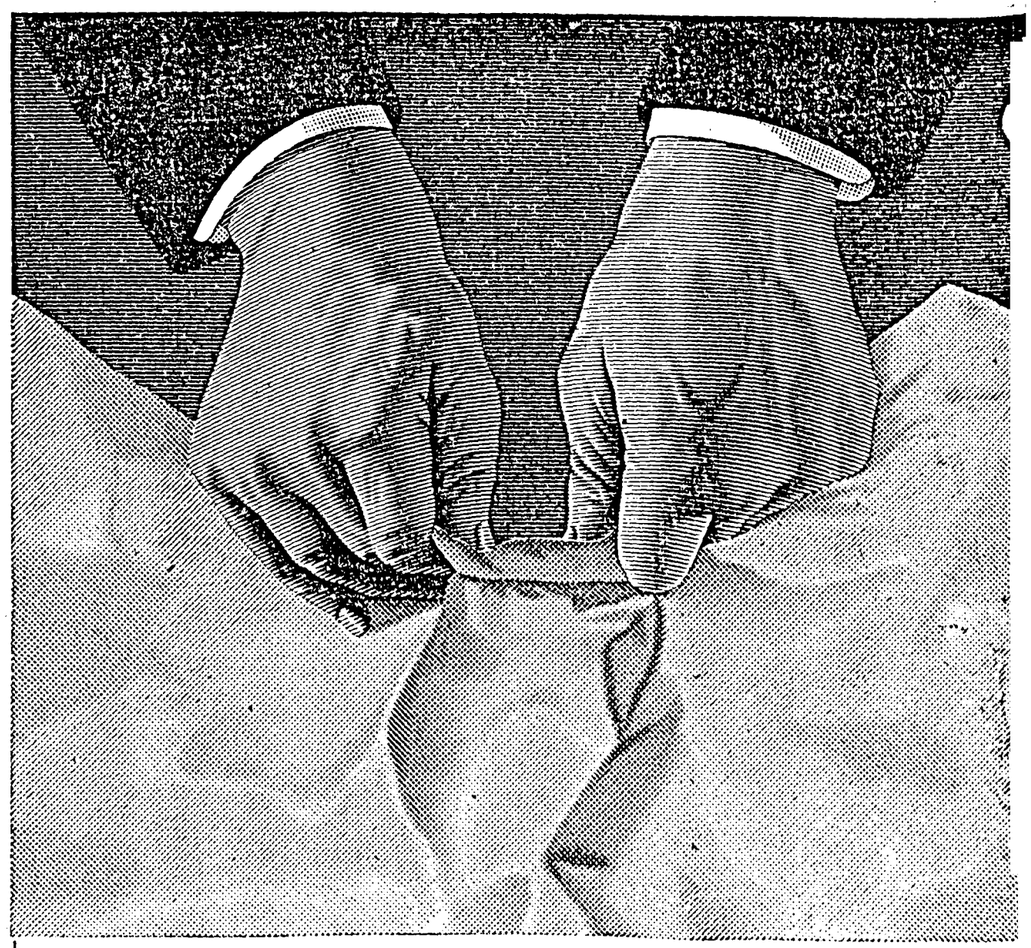
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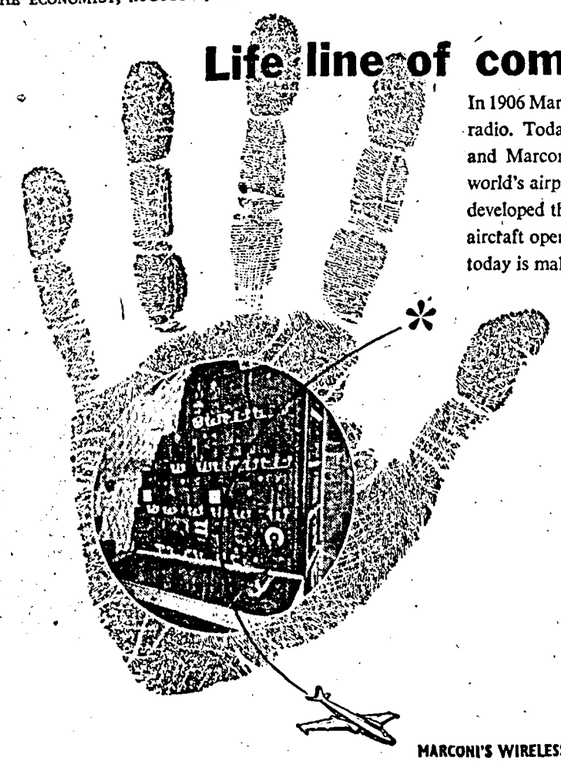
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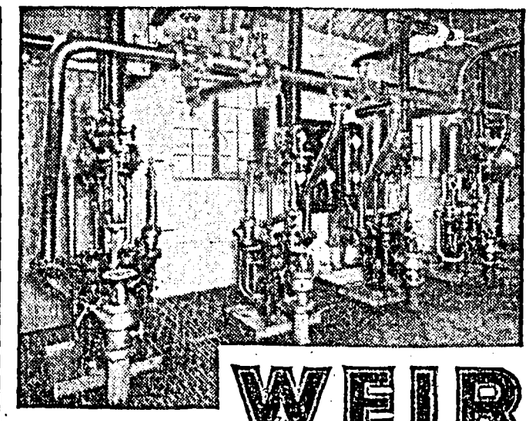
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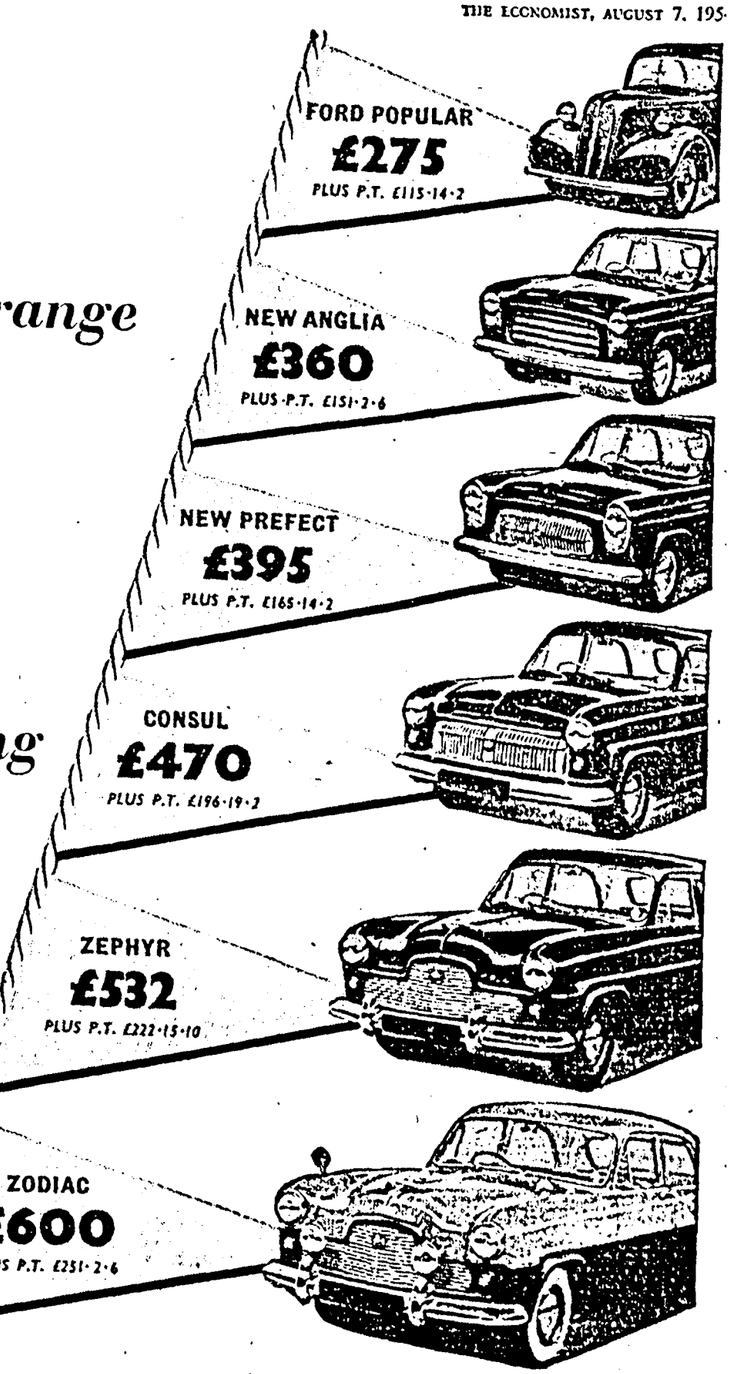
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ONE SHILLING

What to See in China 421
Tory Terriers 423
France on the Mend 424
Housing—Illusion and Reality . . 426

NOTES OF THE WEEK

Mr Attlee's Success; Custodians Against What?; Disquiet Over Defence; Siam Next on the List?; Shock Treatment in Tunis; Doubtful Prospect in Morocco; People on Assistance; Legislating for Cleanliness; Attracting Science Teachers; New Relationship for Iran; On Co-existing Peacefully; Muzzles for Cyprus; Saving the Stowaway; Returning to Work; Co-operation in East Africa; Rome and EDC; To Encourage Montenegrins?; The Cost of Advertising; Economic Advice for Mr Costello. 428

BOOKS AND PUBLICATIONS . . 439
LETTERS TO THE EDITOR . . . 444

AMERICAN SURVEY

The McCarthy Dilemma 445

Advice of the Senate; A Nudge in Time; Reinforcing the Reserves; Sinking Shipyards; A Penny for Your Uranium; New York's New Governor; Ultra or Only Very High?; Air Conditioned America; Shorter Notes.

THE WORLD OVERSEAS

Royal Tour of the Canadian North . 452

Personalities in Tunis; Changing Patterns of East-West Trade; Australian Oil Boom; Indians Share the Land; Headaches for Danish Socialists; American Bases in Spain.

THE BUSINESS WORLD

Iranian Oil Agreement 461
Opinions about Options 463

BUSINESS NOTES

Holiday Peaks in the Markets; Confidence in the Boom?; Lusty Competitors; Buoyant Dollar Surplus; Gatt and Japan; Bargain in Tin; Modest Rise in Bank Deposits; More Pig Iron; The Advent of Expresso; Computors Discussed; Double-talk About Roads; Test for the Sugar Agreement; Alliance Assurance Scheme; More Jute Goods Used; Shorter Notes. 465

COMPANY NOTES AND SECURITY PRICES 473
STATISTICS 476

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What to See in China

"I HAVE been exposed to lots of eyewash in my time, and I know it when I see it," remarked the Leader of the Opposition last week, when asked about the visit to China on which he and other Labour Party delegates are about to embark. In his time Mr Attlee has undoubtedly shown that he can recognise eyewash. But in the past it has not been his custom to submit meekly to serving the purposes of a propaganda machine that is hostile to him, his party, and all that he stands for. The Labour delegates have presumably reconciled themselves in advance to the fact that during their tour they will be photographed, filmed, recorded for radio, and exhaustively written up by the worldwide Communist "disinformation" network; that their simplest expressions of thanks to their hosts will be represented as prostrations before the might and glory of Mao Tse-tung's regime; and that if they venture to comment unfavourably on anything they see, no breath of that criticism will reach the millions behind the iron curtain. They presumably think this a price worth paying in order to see Peking's peepshow.

It is easy to guess what their hosts will be anxious to show them; the conducted tour through the new China is already as standardised as the uniforms and thoughts of its rulers. Mr Attlee, Mr Bevan and their companions will visit "model villages" and "mutual aid" farms, water conservancy works and state-operated factories; they will admire the Gate of Heavenly Peace and the Nine-Dragon Wall; they will relax beside peaceful lakes, and they will be shown films depicting the regime's progress and its peaceful intentions. And why not? The Communist government has unquestionably much to show; it is, indeed, oddly coy about letting impartial foreign visitors see how it has improved on the state of affairs to which the Kuomintang and years of war had reduced the country.

Yet, if the Labour delegates confine themselves to viewing these exhibits and debating Marxist principles with their indefatigable guides, their passage money will be wasted. The achievements, and the theories, of Mao's government can be seen and studied in glossy publications generously distributed in Britain and other free countries. There are other facets of the regime that are not so widely publicised; and if the delegates are to learn in Peking anything that they could not have learnt in Bloomsbury or Westminster, it is to these that their attention should be particularly directed.

As a start, they might well propose a call at the office of the Supreme People's Procurator, a functionary who, with his deputy procurators-general, controls an extensive apparatus concerned with the punishment of those who neglect their work or "sabotage" production or construction. They might try to attend one of the trials of workers conducted by the "comrade tribunals"; the duties of these bodies, intended to "combat violations of labour discipline," were described at length in a recent issue of the *Jen Min Jih Pao* or *People's Daily*, the *Pravda* of Peking.

When they are shown over state factories, the trade union delegates might well ask their interpreters to construe the new code of labour discipline which, according to government orders issued in mid-July, ought now to be prominently posted on the walls. It forbids workers to talk or otherwise waste time in working hours, to arrive late or "stroll around"; it requires them to try to overfulfil their norms, and in any case to fulfil them; and the last eight of its 22 sections are devoted to punishments, which are to be given promptly for any lateness or idleness. Workers, says this code, should be made to apologise for their mistakes publicly; if their products are defective, up to one-third of their wages will be deducted to make good the state's loss; and, while appeal may be made to a higher level, any punishment awarded must be imposed without awaiting the higher organ's ruling. There is, of course, no right to strike in China now.

Factory work is, indeed, so attractive in People's China that it is sad to read in the *People's Daily* of July 11th that many parents still think it better for their children to get secondary education than to pass directly from primary school to workbench. Castigating these outworn ideas, the official Communist newspaper warns parents that only a few children can go to secondary schools, and that the party and government will show them that juvenile labour is "equally glorious." One can imagine Miss Horsbrugh's relief if the *Daily Herald* and *Tribune* are converted to these progressive views in the next few weeks.

*

The Labour delegates will, unfortunately, reach Peking too late to enjoy the pageantry of the annual Army Day and to gaze up at the fly-past of fighters and bombers, some of whose ardent young pilots are doubtless eager to get back to defending the Hongkong-Bangkok air route against aggressive British mail planes. But the new Finance Minister may be happy to explain to them the budget published in mid-June, in which all forms of social, cultural, educational and health service work were allotted only two-thirds as much as is to be openly spent on armaments—in a country where soldiers come cheap. In the atmosphere of a Peking festooned with "peace" slogans the delegates may see no discrepancy in these figures. But they will, one hopes, meet Kuo Mo-jo, the head of the China Peace Committee, a body whose chief claim to fame has been its success in collecting funds to pay for Migs and other Soviet weapons.

Mr Attlee and Mr Bevan are not likely to get a close look at Mao's now enormous army. But while they are contemplating China's industrial progress, they might find time to glance at the *People's Daily* leading article of July 24th, which emphasised that modern armed forces could not be built up without heavy industries, and to reflect on the wisdom of meeting all Peking's demands for British heavy machinery. They will doubtless hear much of the claim, advanced a few weeks ago by the Chinese trade mission to Britain, that £100 million worth of trade could be done between the two countries in the coming year if strategic controls were abolished; and it will be interesting if they are given a convincing account of what China could sell to this country to balance so large a trade. The impression left by Mr Tsao in London last month was that Britain would have to accept remarkable quantities of preserved eggs, bristles and feathers, at doubtfully attractive prices.

How does this "peaceful" government mean to use "the second largest army in the world," which it says it will aim to build? Commander-in-Chief Chu Teh, in his Army Day speech this week, promised that Formosa will soon be liberated. The *People's Daily* of July 23rd had already declared that "the powerful Chinese people . . . will never pause until this aim is achieved." The same leading article seemed less than kind to China's principal guest when it dismissed Mr Attlee's suggestion of United Nations trusteeship for Formosa as "putrid." The Labour leaders can read for themselves, in the July issue of the English-language *People's China*, that under the new Peking constitution the millions of Chinese in Siam, Burma, Indonesia and Malaya, "neglected" by earlier governments, will now be "protected" by Mao Tse-tung's regime. This hardly squares with Chou En-lai's simultaneous protestations to the Burmese and Indian prime ministers about peaceful co-existence and non-interference.

There are many other matters to which the Labour leaders might direct their curiosity. They might—if they can—seek out Kao Kang, who was the much-lauded ruler of Manchuria until this year he committed the unpardonable sin of "standing up against the party." Mr Bevan should find this an enlightening interview. They might contrast the official announcement at the end of June that, "for the first time in many centuries," the peasants along the Huai river could now live without fear of floods, with the devastation that has since struck the area, despite the fact that two million of these same peasants had been harnessed to a much publicised programme of dam building for the past four years. They might ask why British traders, however useful their wares, have found it so difficult to get into, move around in, and indeed to get out of China in recent years. They might raise the question of the brutal treatment and forcible indoctrination (under the nicely named "lenient policy") of British prisoners taken in Korea. But perhaps their most interesting quest would be to seek out their own opposite numbers in China—the leaders of the "democratic parties," which are still allowed a tenuous existence owing to their propaganda value—and, without asking such foolish questions as how these parties viewed their chances of coming to power during this year's "elections," to inquire precisely how their party platforms differ from that of their Communist rulers. This should be an instructive glimpse of the "new democracy" at work.

Tory Terriers

THE revolt of the twenty-eight Conservative backbenchers in the Suez debate proved to be a very bourgeois affair. There was never any smell of blood. Mr. Julian Amery, the most eloquent of the rebels, proclaimed that he was voting against the Government because he could "do no other"; but if Labour had decided to join the dissidents *in order to vote the Government down, the rest of his group was plainly prepared to do* "something other" very fast. Lord Hinchingbrooke, the only member of the group who managed to look at all angry, was careful to explain that his revolt would extend "to the division lobby and not beyond it"; he had no intention of going down to his "constituency during the recess, perhaps finding some troops who have flown back from the Middle East as a result of this agreement, and telling them that they must go back to where they were before." The other backbenchers all had the air of men making a routine protest rather than presenting a serious challenge. Some of them were protesting against what they considered to be the cession of the main responsibility for defence of the Middle East to the Americans; some were Empire crusaders, mournfully but not very vigorously clanking their chains on the way to the division lobby; and a surprisingly large number were voting against the Government merely in order to prove to themselves and to their party what good Conservatives they were.

Nevertheless, this split among the Tories needs to be taken seriously, for the dissidence that it has dramatised has been the most remarkable feature of the third session of this Parliament. By all the laws of luck and politics, this third session should have been an even greater political triumph for the Government than the second session had been. It has been a period of continuing full employment, reasonably stable prices, peaceful co-existence and good red meat; it has cleared the way for a fourth session in which there will be a political need to increase old age pensions, but no urgent electoral incentive to do much else. When that fourth session ends in the autumn of next year the Government —on its record to date, and but for these recurring rumpuses on the benches behind them—should feel confident that it would be able to call an election, to portray itself as fighting against a Labour party that has been the exponent of austerity at home and is becoming the proponent of Bevanism abroad, and to win power for another five years by a thumping majority. *This is* probably still the Tories' strategy and their hope, but there is now a serious impediment in their way. After the events of the last few months, the Labour leaders will be able to claim that they are campaigning, not against a successful Government, but against a sinister shadow called the 1922 Committee; and this is a slogan that may still bring them success.

The Tory backbenchers themselves are indignant at —indeed openly contemptuous of—this defeatist suggestion. They do not feel that they have done anything that need cause the Government to lose votes. What, they ask, has been the nature of their so-called "unpopular" revolts? They have opposed a scheme for increasing parliamentary salaries, and have felt confident that a majority in Britain opposed it too. They agitated noisily for action in the Crichel Down dispute, action that the country wanted and that the Government may or may not have been ready to take in any event. They have secured the abandonment of a bill about development councils of which not one elector in ten has ever heard, and the postponement of a teachers' pension bill against which teachers had violently protested; and they have aroused the irritation of Egyptians and Arabs who fortunately do not participate in British elections. In each dispute they have struck the attitude that would have been struck by a united Conservative party if it had been in opposition, and they believe that they have been both electorally wise and politically high-principled in doing so.

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These two claims—to electoral wisdom and political principle—are separate arguments. The only connection between them is that they are both quite wrong. The flaw in the first claim is obvious. The Tory rebels might be able to argue convincingly and at great length that each of their campaigns has been one that the public should support; but if they enter into convincing and lengthy arguments against their own Government they will be playing into Labour's hands. They will either arouse suspicion of their own motives, or else they will start to chip away the reputation for business-like efficiency which is their party's principal gloss.

The Tory dissidents can therefore defend themselves before their supporters only by saying that they have been fighting for important principles in which they believe. It is unfortunate, however, that very few of them —and fewer still in the country at large—seem to have any clear idea of what these principles are. The Tory rebels of the last few months have not considered themselves to be an extreme right-wing group, in the way that the Bevanites have considered themselves to be men of the extreme left. On the contrary, if there has been a single current behind their campaigns it has been a strangely unconservative current of anarchy. The only common denominator in the various rebellions has been a suspicion of decisions or proposals handed down from authority—whether that authority be a select committee, or the civil service, or defence experts or any other body over whom Tories feel that they may lack effective control.

There are some healthy elements in this suspicion; it is a good thing that a political party should be keeping a careful eye on the influence of the salaried experts—in the Treasury, the defence services, the Foreign Office and other departments—by whom so many important decisions tend to be taken in the complicated modern state. But if the Conservative backbenchers are to take up this role of terriers, they should resolutely pick out the holes from which they expect trouble to emerge, and stand over them on guard. In the last few months they have not been doing so; they have been barking wildly in the public yard.

There are three general dangers against which a terrier campaign by backbench Tories might excusably be directed. First, they have reason to fear that the present British administrative machine still tends to handle problems only as they arise; it should be the task of party politicians to ensure that government is not merely an expert reaction to the contingencies of the present, but is also driven forward by an idea—or set of principles—about where the country wants to go in the future. It is difficult to argue that any of the Tory revolts in this session have had this object in view; indeed the current slogan of the dissidents seems to be that the less legislation there is, the happier they will be.

Secondly, civil servants and other administrative experts may often tend to wriggle away from awkward situations, to avoid embarrassment by particular sectional interests. The Tory backbenchers thought they were protesting against such a retreat in the Suez debate; but the balance of argument in that debate clearly showed that expert military opinion here was not weak-kneed but right. In domestic policy, of course, Tory backbench revolts have more often acted in support of pressure groups than against them; and in one of the few cases in which the rebels thought they were doing the opposite—in the battle over MPs' pay—they were quite satisfied when they secured a change from an open and defensible scheme to a hole-in-the-corner and indefensible one.

Thirdly, government by civil servants may lead directly to subordination of the interests of the individual to the interests of the administrative machine; party politicians should act as bulwarks against this tendency to despotism or excessive state control. The Tory backbenchers believe that they did this over Crichel Down; but it is not clear how far the action that the Government took in this matter was really forced from it at pistol point. The weight of evidence suggests that the backbenchers' campaign merely made a necessary and pre-determined rectification of Government policy look like a scared sacrifice and retreat.

In nearly all these interventions, therefore, the rebels seem to have been clumsy in either manner, intent or effect. Their errors of manner may not be their fault; the administrative muddle into which British government has fallen—largely as a result of problems of personality that are now widely recognised—makes it very difficult for them to exert what pressure they want at the right time and in the right way. But for the errors of intent and effect the rebels themselves are entirely to blame. It may be proper that there should now be some reaction against Disraeli's dictum that a Conservative government should be an organised hypocrisy; but if the backbenchers want to swing conservatism right over to the status of a disorganised ideology, they have chosen an odd moment to do so. If they continue their irridentism when Parliament returns in October, they may still throw away their glistening opportunity for another five years of Conservative rule.

France on the Mend

ONLY six weeks have passed since France and the French Union began their treatment at the hands of a new prime minister. Already the patients feel and look much better, and they show a confidence in M. Mendès-France and his drastic methods that no one else has inspired for many a long day. There was always much to be said for the clarity and insight of his diagnoses; what was in doubt was his ability to carry out his prescriptions. But he has shown flair, vigour and determination as the manipulative surgeon of French politics, applying skill and strength suddenly at the points of congestion, trusting that the pain he caused would be followed by relief and healing. So far he has been successful. Can he continue with these methods and will he be given the time and the backing to try?

His spectacular time-table, first to Geneva, then to Tunisia, brings him this month to Paris and the economic problems of France, and perhaps to Brussels and the problems of French policy towards Germany and Europe. He starts with certain assets—notably prestige and popularity—that he has created for himself. He has brought a sense of purpose back into French political life and shattered the growing belief that *immobilisme* was an inevitable feature of its democratic practice. National pride is flattered by the attention now being paid to French views by other governments and by the spectacle of a premier who gets results, who takes the public into his confidence in the Rooseveltian manner and does not hide unpleasant truths. His impact on the mood of his countrymen is of no small importance in a nation that had begun to despair of its institutions and its statesmen.

But this very popularity is a dangerous asset in France, for it breeds suspicion in parliament; and the chief weakness of M. Mendès-France is precisely the uncertain backing that he has in the National Assembly and the motley character of his coalition government. The conservatives mistrust him, while the Christian Democrats feel strange out of office, sulking and thirsting for revenge. Because he rejected Communist votes and has been unable to coax the Socialists into his government, there is no popular front behind this "progressive" premier. Many of his Gaullist supporters, as well as many fellow-Radicals, dislike his zeal for a new deal in North Africa and would stab him in the back at the first opportunity. Above all, his majority is as deeply divided about German rearmament and the ratification of the treaty for a European Defence Community as were previous majorities. So far his coalition has been held together only by success.

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With these assets and handicaps, M. Mendès-France goes on with his triple task of saving what can still be saved of the French Union, of restoring health to the economy and of shaping a coherent and steadfast foreign policy. For the moment he has moved decisively only in the first direction, and he may find the going more difficult as he gets further. In Indo-China much of the power of decision lay in the hands of foreigners; M. Mendès-France's merit was to make a brilliant judgment of his chances when even his critics had given up hope of winning through by force. That is not true of North Africa. He has to face powerful colonial lobbies in parliament who will not listen to the argument that it is better to give power to moderate national leaders than to wait until insurgents take it by force. So far M. Mendès-France has shown both courage and skill against them but they may yet bring him down.

At the base of this new policy is the calculation that political and commercial ties with Paris will prove more profitable and more efficient in North Africa than methods of suppression. But this calculation will largely depend for its success on such a recovery in France as will exercise a powerful attraction on its partners overseas. If the new premier were asked to single out one cause of his country's decline in prestige and power, he would probably point to the fact that its industrial production is now only a fraction greater than it was in 1929, and that it has failed to keep pace with its competitors. Economic expansion, therefore, lies at the heart of his programme. In opposition he advocated cuts in unproductive—that is to say military—investment and deplored the rentier mentality that Frenchmen have developed under the influence of American aid. The end of the Indo-China war should, in the long run, give France some relief; but at first a reduction in dollar aid could hinder the readjustments of the French economy—towards freer trade abroad and more competition at home—by which the premier hopes to transform the paradise of the unfit into a striving economy.

The government has now laid a vague economic programme before the Assembly and will soon ask for permission to act by decree over a wide field of fiscal and other matters. Its authors seem to be in a rather optimistic mood, perhaps a little intoxicated by the technique of setting time-limits. There is in fact little scope in economic affairs for four week *coups*. Indeed, the only speedy method of adjusting French internal prices to the world level would be to devalue the franc; and even to hint at any such idea at the moment would be tantamount to political suicide. There remains the alternative of reducing trade barriers and patiently cutting costs by increasing productivity. Such a policy will provoke loud protests from all kinds of vested interests, and it is far from certain that the French workers will agree to pin their hopes of better times to a lower price level or to have their wage increases linked to rising productivity. The present government, like any other that tries to foster economic expansion without inflation, must rely on the co-operation of the trade union movement, and in France that is dominated by the Communist-controlled CGT.

At this point the prospects for economic reform become entangled with the government's intentions in foreign policy. It has been argued that M. Mendès-France will be more kindly treated by the CGT than were his predecessors. It is pointed out that the Communists voted for him, and Mr Molotov followed his time-table, at Geneva. But any claims of M. Mendès-France on Communist indulgence can spring only from the assumption that he is less "European," less committed to EDC—Mr Molotov's *bête noire*—than his predecessors. Were he to disappoint such hopes, he could expect no mercy from M. Duclos and his comrades.

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How the EDC treaty is to be dealt with is still M. Mendès-France's secret. The difficulty of either rejecting or ratifying it has inspired such fear and embarrassment in previous ministers that they have turned their back on it. M. Mendès-France originally intended to find some compromise formula that would rally a large parliamentary majority; but that proposal has been rejected by other governments who have signed the treaty and it has not even brought together partisans and opponents in France. He is expected to stage a debate on EDC very soon, but not as an issue of confidence. To do that would split his cabinet into two irreconcilable factions.

This long-delayed battle is bound to be close. Both camps might in an emergency muster about 290 votes, leaving about 50 deputies abstaining or uncertain. M. Mendès-France has already said that he is reluctant to bind his country to such a fateful decision by a handful of votes. Even if he were to overcome this reluctance, the treaty would probably be rejected by the *Conseil de la République*, thus forcing the Assembly to pass it a second time by an absolute majority—and even the most sanguine partisan of EDC can scarcely hope

for this. No government, whatever its intentions, seems capable of breaking this deadlock and herein lies the root of all delays. This may be an unpalatable fact, but it has to be faced.

Bold *coups* and spectacular achievements are no longer open to the French government. In the economic field it must prepare itself for a lengthy convalescence and on the European front for bitter argument. Scores of deputies are waiting eagerly for a tactical blunder, to pounce on the successful premier. There are the open enemies who would not hesitate to hit below the belt and exploit latent anti-Jewish feeling; there are the "friends" who may suddenly stab him in the back, and all those who are attracted by the glitter of success but will desert as soon as the shadow of failure appears. Indeed, the new healer surgeon may be dismissed before he has time to proceed much further with his treatment, but by operating boldly he has already left his mark on the body of the Fourth Republic. Even if the deputies give him notice, Frenchmen may well remember his services when they next go to the polls.

Housing — Illusion and Reality

IN the narrowest political terms the Government's housing policy has been an unqualified success. For some time Mr Macmillan has been experiencing the happy sensations of a Minister who has outplanned the planners and produced the cascade of houses that Labour critics had claimed to be impossible. The 320,000 new permanent houses that were completed in Britain in 1953 seem likely to be slightly exceeded in 1954; nearly 168,000 houses and flats have been completed in the first six months of the year. The voters are being told that some parties keep their pledges.

Unfortunately for the Conservatives, this statistical sunshine is darkened by a cloud that has already grown a lot larger than a man's hand. The houses proliferate; but who gets them and who pays for them? Any fair analysis of these questions is bound to reveal that it is no Conservative policy that the Government is following. Conservatism at its best implies respect for individual initiative plus solicitude for the genuinely needy. Socialism at its worst runs to a woolly-headed egalitarianism which supposes that public expenditure (unless it be on armaments) is *ipso facto* beneficial. There is little doubt which boot present housing policy fits.

The people who pay for most of the new houses are the taxpayers and ratepayers. More than three out of every four houses completed in the last twelve months was built with public subsidy. Every council house now built attracts the equivalent of a capital grant of £845, and the average tenant gets a rebate of about 40 per cent of his true rent. Both figures are a great deal higher in the case of flats. These are the statutory subsidies, paid as of right under Act of Parliament and accepted by tenants in precisely the same spirit; in addition, the ratepayers of some districts make a further payment in aid of council rents. Moreover, the success of the Government's drive to build more houses means that the burden is constantly rising. Last year's increase in housing subsidies (over £10 million) was the biggest on record; if present policy were continued for another ten years, its annual charge on public funds would approach £200 million.

The lucky people who get the new houses, and the bounties that go with them, are not those who are worst-housed at present or those who are most in need. They are a heterogeneous collection, mostly in the middling income groups, whose one point in common is that they have been for a long time on the lists of some housing authority. This means that young couples who have just been married hardly ever qualify for these new houses; they also have little chance to find rent-restricted accommodation, for that is monopolised by older people with squatters' rights. They—and others who have been unlucky—are driven back to live with their "in-laws," or to pay fancy rents for furnished accommodation, or to buy houses of their own at prices which they cannot really afford. Once there, they pay high rates to subsidise those who are better off, and who have got the council houses that they wanted themselves.

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These are glaring and familiar anomalies. The wonder is that they do not shock more; and the reason seems to be that public housing is still viewed as a sort of state bonanza, which may be extravagant but which hurts no more than a general tax on cigarettes. The idea that the housing problems of one family can be directly traced to the good fortune of another family in getting a council house has been slow to take root. It is now generally realised that many council tenants are better off than many of their ratepaying benefactors. But the broader connection—between the absorption of housing resources and inflation of housing costs by state action on the one hand, and the difficulty and high price of renting or buying accommodation on the free market on the other—still escapes the public's comprehension. If one family is lucky enough to get a new council house for a rent of twenty shillings a week, although in an unsubsidised market it would choose to stay in its present not uncomfortable home; if a second family would actively prefer to move from a house to a flat but does not do so—and therefore does not make room for other people — because this would involve it in paying an

economic instead of a subsidised rent; and if a third family has to pay £4 a week for a couple of badly furnished rooms—then these are regarded as three separate cases. It is not realised that the third case follows from the first two as night follows day.

The Government, of course, does dimly recognise this; and that is one reason—together with its concern about the cost of subsidies—why it does not wish to continue housing policy in quite its present form. Political kudos having been won, economic discretion has become the better part of valour. The Housing Repairs and Rents Act, which received the Royal Assent last Friday, is intended to set the scene for a subtle shift in housing emphasis. It is not a major shift; the small rise in rents under the Act may have only a marginal effect. But it is as far as the Government is willing to go during this Parliament in its policy for the renting of private property. The main hope now must be that it can be induced to make a similar small shift in its policy for council housing as well.

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Mr Macmillan has gently indicated on several occasions what he is after in this field. He wants local authorities to build rather fewer new houses and private enterprise to build rather more. Solicitous in this one matter of local rights, the Minister has hesitated to control the policy of local authorities, although he has put some limit on the numbers of houses which will qualify for subsidy. But by tactfully emphasising the importance of slum clearance, he doubtless hopes to modify as well as to divert the energies of local government.

As yet this policy has had very little success. The number of council houses under construction is fractionally smaller than a year ago, and the figure for private enterprise houses is larger. But the switch is very slight and the ratio of public to private housing is still more than 3 to 1. There are reasons for expecting that this state of affairs will continue; they were emphasised in two papers recently delivered to the annual conference of the Housing Centre. In one of these Mr D. W. Riley, the county planning officer for Stafford, indicated that most local authorities still regard slum clearance as something of a residual activity. They expect to be busy for a long time in catering for families now sharing accommodation and for the natural increase of the population; in other words they continue to interpret their housing responsibilities in the broadest terms. In the other paper Mr Norman Wates, a building contractor, explained why the private demand for houses is so small. Why should people buy their own houses if the local authority is willing to house them at half price? Admittedly, there is a wait to get the council house, but in many areas the delay is rapidly being reduced. Admittedly, there is still a certain social stigma (for some people) in living on a council estate; but such objections commonly count for less than hard economic facts. The hard fact in this case is that a small private house which could be bought for £650 before the war now costs about £2,000. The prospective purchaser in a professional or clerical occupation has not had anything like an equivalent rise in his net income.

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Thus Mr Macmillan should cherish no hope that the housing market will right itself automatically in time. The private builder cannot recover a mass market until building costs are reduced and the pressure of public demand is abated. No progress can be made in this direction so long as the housing subsidies remain at their present level. The subsidies are not only sustaining a rate of building that is eating up an excessive share of national resources; they are also instrumental in causing the steady inflation of building costs by 5 per cent each year. If any other industry was favoured with such public bounties there would be someone at least to protest; but so great is the political magic of housing statistics that not even a Stanley Evans has come forward to emphasise the close connection between high subsidies and high costs.

The Government is not going to make a drastic overhaul of this pernicious system during the present parliament; it has committed itself, for another year, to continue the subsidies that it pays to local authorities for each new house at roughly the present level. But some action could be taken now to ensure that fewer subsidies go to tenants who do not genuinely need them. Attempts to raise the rents of richer tenants are apt to run foul of opposition to a means test. There is a simple and just way to meet this objection. Every tenant should be required to show why he cannot pay the full economic rent for his particular dwelling. In most cases rebates would be necessary—anyhow in the case of post-war houses; but they should be paid as concessions, not expected as automatic rights.

The Government might hesitate to make all local authorities conform to the same system. But it has the means to hand for ensuring that all councils at any rate proceed in the same general direction. It could reduce drastically the annual number of houses on which the Exchequer subsidy is payable. Each local authority would then be forced either to curtail its rate of building or else to spread its available subsidies more thinly. Both these pressures would be beneficial. They would be a sign to ratepayers that the Government would not foot the bill for subsidies that were socially unjust and unnecessary. At the same time, the slackening in local authority building might set the trigger for a fall in costs and a new impetus to private enterprise housing. This should be the Government's next step after the passing of the Rents Act; it would help to restore some balance to the nation's housing policy, which is at present roaring triumphantly off the rails.

Notes of the Week

Mr Attlee's Success

ONE of the by-products of the debate on the Suez agreement was that it enabled Mr Attlee to pay off a long-standing political score and to give one of his most effective parliamentary performances for a long time. The congratulations that his supporters showered on him afterwards should remove all doubts about his capacity to hold on to personal leadership of the Labour party for as long as he wishes. Just as Sir Winston Churchill has always felt special resentment about the "warmonger" campaign of 1951, so Mr Attlee has always been particularly offended by Tory charges of "scuttle" during his years in office; and in the debate on the Suez evacuation he took ferocious pleasure in ramming the offending word down Sir Winston's throat. As Sir Winston has all too effectively wiped out the "warmonger" charge by rushing in the opposite direction, the two men have now wiped their personal slates clean. Both stand equally tarred by the same pinkish brush, and only Captain Waterhouse remains swathed in imperial purple.

Mr Attlee has had to wait for his moment of revenge; but at least, when the chance came, it could not have been more timely. The Suez debate was the last big occasion before Parliament rose for the summer recess, and Mr Attlee's taunts will continue to ring musically in the ears of his followers until the time comes for them to foregather for the annual party conference at the end of next month. And, just to be sure that no discords can be introduced in the meantime, Mr Attlee will this week-end be whisking Mr Bevan off to China.

But at the conference Mr Attlee will need all the credit he can get if he is to avoid defeat on "German rearmament." The agenda for the annual Trades Union Congress next month offers not a word of support for his policy; those resolutions on foreign affairs that avoid the subject do so only in order to concentrate on airing familiar left wing themes about the H-bomb. Some of the biggest unions, of course, are pledged to support the official policy; and the TUC's agenda, like that for Labour's own conference, is mainly intended as a safety valve for the irresponsible. But the unions can put up sensible resolutions if they want to—there are, for instance, two or three that promise a serious and responsible debate on the future of collective bargaining. As with the agenda for the Labour conference, those organisations that recognise the facts about German sovereignty have flinched from putting them down on paper; they will no doubt come out fighting when the bell rings, but their present discomfiture indicates again that resistance to this emotional urge from the left will be the most crucial political issue of this summer.

Custodians Against What?

THE Independent Television Authority hopes to have its programmes on the screen in about a year's time. Nine of the ten members of the authority have now been appointed; none of them knows very much about television, but they have been chosen as unimpeachable custodians of public taste. The chairman is Sir Kenneth Clark, from the Arts Council. Education has a distinguished representative on the authority in Miss Popham, the former headmistress of Cheltenham Ladies' College; if Cheltenham cannot keep an eye on Birmingham, who can? The other members bring the expected representation of the different regions of the United Kingdom, of youth clubs and of university life. Because, presumably, of the Labour party's opposition to commercial television, there is a certain shortage of horny hands; but the former general secretary of the Transport Salaried Staff's Association brings the necessary trade union touch.

The first task of these nine distinguished people will be to appoint a Director General to administer the scheme for them; then they will have to grant contracts to, initially, two or three programme companies to fill the screens in a way that they feel they can trust. Sir Kenneth Clark agrees that these contractors will probably have to carry on their programmes through "one very lean year" (when advertisers may well feel that they are having to pay a lot of money to reach a relatively small audience); after that, he thinks, prosperity will start. This is the crucial question. The members of the authority should not regard their new job as one of acting as nursemaids to a monster that is liable to corrupt the uneducated and the young; that bogey should have been laid as soon as the Television Bill was published last winter. Instead they should realise that they are taking over control of a risky experiment that—because of the ramshackle controls with which the Act has encumbered it—will have to be operated with fire and faith and the most resolute management if it is to attract advertisements, presumably at an average cost of about £300 a minute, in sufficient volume to make the scheme pay.

Disquiet Over Defence

JUST under six months ago the service authorities completed a comprehensive review of the defence structure, and published the broad results in the annual White Paper on Defence. On the same day, Sir Winston Churchill read about the H-bomb tests in a newspaper, and decided that this review was already out of date. As the H-bomb is one thousand times more powerful than the original A-bomb, Sir Winston may well be right. But by making the bare statement that all previous strategic conceptions are obsolete—without discussing the implications—he has given a green light to the irresponsible. The Labour Party, for instance, may be about to decide that Sir Winston's words, coupled with the Suez agreement, gives it a sufficiently plausible case for coming out openly in favour of a cut in national service. Such a campaign would make the worst possible background for the difficult calculations now facing the military planners.

This week the army lifted a corner of its nuclear curtain. Its enterprise was commendable—although it seems to have been partly a move in its private battle with the RAF about the future control of the army's helicopters. These helicopters are to play a vital role; they will take the supply lines off the vulnerable roads and will help to make the infantry soldier, armed with his new rifle and supported by tanks, much more mobile and self-contained. Maintenance, the other bugbear of modern armies, will be simplified by drastically pruning the variety of weapons in use.

As answers to the army's own tactical problems, these measures are probably the best available. But there is no indication of how they are supposed to fit into the general strategic pattern, nor is there any sign that the new streamlined army will be a reality for another year or two at least. The new supply system is not to be tested at divisional level until next year; the new rifle is still in the trial stage, and the production lines are not to be tooled up before next year; the new helicopters cannot even be ordered until the War Office and the Air Ministry decide which of them should do it. In fairness to the Army, it should be said that if the Air Ministry and the Admiralty were to give an equal amount of information about their plans, their pictures would probably be still more disquieting. This is all the more reason why they should now follow the War Office's lead. A democracy that has been told that all previous strategic ideas are obsolete needs to be given some idea of what is to replace them. If clumsy public relations provide any opening for those who would like to send military as well as civil defence to Coventry, the consequences could be disastrous and immense.

Siam Next on the List?

IT is good news that the five Colombo powers have formally pledged their "firm support" to the Geneva agreement. But those who expected the agreement to inaugurate a period of relative tranquillity in South East Asia have received an unpleasant shock in the past week from evidence of Communist China's intention to support a subversive agitation against the present government of Siam. Even while the Geneva conference was in progress, Chinese radio propaganda was fiercely denouncing Siam for "serving American aggression" and "smoothing the path for American war preparations," but there was no official confirmation of the rumours that China was harbouring the exiled former prime minister of Siam, Pridi Phanomyang, for use in its political attack on that country. But two days after the signature of the Geneva agreement it was announced in Peking that the China Peace Committee had given a banquet in honour of Pridi, attended by important members of the Chinese Communist party; a few days later a manifesto by Pridi was published, appealing to the Siamese people in terms almost identical with those already used in propaganda from Peking. It is a fair presumption that Pridi, the old rival of the present Siamese prime minister, Pibul Songgram, has struck a bargain with the Peking government, and hopes to return to power in Bangkok with Chinese help.

From the abuse that the Chinese Communist radio is now showering on the present American ambassador in Bangkok, it may be assumed that he is having some success in persuading the Siamese government to rely on American support and not be intimidated by the war of nerves waged from Peking. Songgram, who sent a Siamese contingent to take part in the war in Korea under the United Nations command, is probably in any case too deeply committed to the anti-Communist cause to be able to change sides at this hour; but many of his followers may well think it wise to intrigue with Peking if Siam has no definite guarantee of protection from the western powers—as it has none at present—against its powerful neighbour. While the western governments proceed with leisurely contemplation of measures which might be taken to defend South East Asia at some future date, they may suddenly find that yet another territory is being nibbled away.

Shock Treatment in Tunis

M. MENDES-FRANCE'S startling dash to Tunis, carrying a proclamation of home rule, belongs to the same category of policy for the Mediterranean as Mr Eden's handling of the Suez question. The long coast of North Africa lies close to Europe's underbelly; by vesting moderate North African nationalism with responsibility for its own good management, both politicians hope to cause it to see, and to go on seeing, that its interests are bound up with those of western Europe.

The contrast between this broad view and the parochialism of previous French cabinets is best grasped when it is remembered that M. Mendès-France was the first foreign minister to visit Tunisia since the war. No predecessor had ventured so far, because each of them was too conscious of the lobbies pulling at his coat-tails with injunctions not to forget the claims of the French settlers, or else not to wreck the coalition of the day. The same warnings would have dogged M. Mendès-France had he given people time to utter them. The skill of his technique lay in its speed and singleness of purpose; for the first time, he forced a French cabinet to give undivided attention to the mounting problem of Tunisian nationalism.

The exercise cost it grief and pain. It was at first unanimous only on one point—that terrorism must be quashed, if necessary by force. It therefore decided to drop its civilian Resident General and to appoint in his place the General who is commander of the French forces in Tunisia. This step reassured several doubters; but they had other misgivings. Ought not terrorism to be stamped out before concessions were mooted? What guarantee was there that

an autonomous Tunisia would respect new conventions affording some rights to French settlers? Or that an elected parliament would not alter the Tunisian constitution? At least one minister wanted to resign, and was only prevailed upon to trust the Tunisians because M. Mendès-France said that if General Koenig went he would go too. In the end, he secured unanimous support by setting out the stark alternatives to his policy; these, he argued, were mounting tension, little security for the settlers and their vested interests—even at the cost of expensive campaigning—and, above all, the driving of moderate nationalists who see a need to work with France into the obstinate, non-co-operative frame of mind so familiar in Egypt and Asia.

His final touch of genius was to take the iron-clad Marshal Juin with him. The curious sight of this confirmed diehard nodding acquiescence to a proclamation of Arab home rule was rightly calculated to reassure the settlers; presumably the Marshal agreed to go because he is vain enough to reason that his very presence would show terrorists that France means business. So off he went in the cortège that sought, and required, no Parliamentary approval in Paris, because all that it was doing was to carry out the treaty of 1881, which all previous French governments have endorsed but which none has till now fully applied.

Doubtful Prospect in Morocco

Now that M. Mendès-France's opponents have had time to draw breath, their criticisms of his Tunisian move are gathering volume. They are voicing all the arguments advanced by the waverers in the cabinet, and are claiming in addition that generosity gets France nowhere, because the immediate result of his gesture to Tunis has been to increase unrest in Morocco. But this contention, though superficially so plausible, is illogical. It ignores the immense difference in mentality between Tunisia and Morocco and between the problems they now present for Paris.

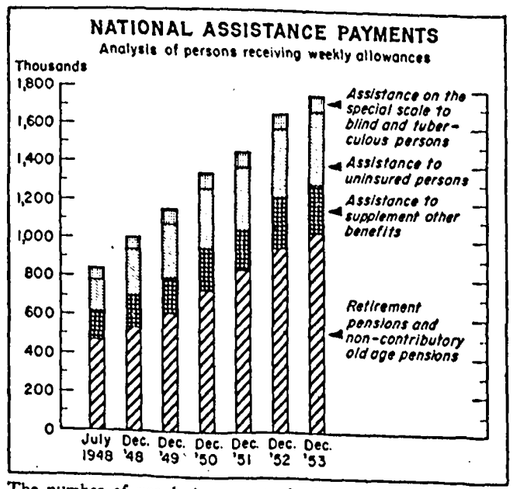
Heredity has given the Tunisians a quick Phœnician receptiveness; throughout centuries of invasion from Europe as well as from the East they have absorbed new influences through open pores. In seventy-five years of French protection and education, the educated class has learnt as much from French as from Islamic culture and forms of thought. The nationalist movement, the Néo-Destour, has remained xenophobe, Muslim and Arab, and has therefore out-distanced and swamped all factions of the "Back-to-Islam" type; it is thus homogeneous and commands nationwide approval. At the same time it differs from such parties elsewhere in the Arab world, because Tunisia's educated bourgeoisie is sufficiently stable and well founded to think realistically and to see that all it has gained from contact with France will be lost if it cuts the painter right through. A sketch of the gamut of personalities and social classes that hold this view is given on page 453. In other words, the cabinet now formed to negotiate details with France is fairly unlikely to be superseded by men hell-bent on easternisation.

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Morocco presents a different picture. It remained wild and largely unexplored as late as the 1920s. It is homogeneous neither racially nor socially, being much more than half-Berber. The Moroccan is standoffish and far from receptive, and the gap between Morocco's feudal leaders and its semi-educated townsmen is as yet virtually unbridged by a mature professional class of educated men. Its nationalist groups are torn by faction; its Berber chiefs despise its Arab townsmen. Last but not least, its educated inhabitants have been thrown into dissension by the recent French policy of making and unmaking Sultans. Even M. Mendès-France could not devise a single stroke of policy to meet such a variety of views and requirements; probably the most he can do is to tell the Moroccans that he must first carry out his Tunisian experiment, and meanwhile will use force—French if necessary—to curb terrorist activities. For success, he will need to devise some proof of good intentions, and to think of one sufficiently dramatic to serve his purpose will not be easy.

People on Assistance

THE annual report of the National Assistance Board [Cmd. 9210] provides a useful appendix to the recent debate on old age pensions, and to the promises to increase national insurance benefits that were made by both political parties during it. As there was no increase in national assistance scales last year (and thus no change in the number of income groups that became eligible for allowances) some check was put on the steady rise in the number of applicants that has gone on ever since the national assistance scheme started in 1948. Nevertheless, about the same number of new allowances were granted in 1953 as in 1952, presumably because the army of old age pensioners becomes bigger each year and because people's reluctance to apply for assistance is gradually being overcome.



The number of people in respect of whom assistance is paid is much greater than the number of people receiving allowances, because dependants, of whom there are about 750,000, are not treated separately.

The diagram shows how the number of allowances was distributed among the different classes last year. By far the largest number of allowances is paid to supplement pensions (including 146,000 non-contributory old age pensions which are outside the national insurance scheme). But, the most important new material for the debate on pensions is that, according to a sample taken in November, 1953, only 66,000 of pensioners on assistance were drawing 5s. a week or less. A further 264,000 were drawing between 5s. and 10s.; but as many as 482,000 retirement pensioners and 68,000 non-contributory pensioners were receiving between 10s. and 20s., and the remainder were receiving sums up to £3. Thus, to make any substantial reduction in the number of pensioners on assistance, and make some better off, retirement pensions would have to be increased by at least 10s. a week. Any smaller increase would merely leave these people—the neediest of pensioners—to face a corresponding cut in their assistance; and they would not even have the consolation of being able to dispense with the means test altogether.

Legislating for Cleanliness

THE Labour party has been alleging for some time that the Food and Drugs Bill is being wrecked by vested interests. These suspicions were aired at length when the Bill was eventually given its second reading in the House of Commons on July 23rd. (The fact that it took place on a Friday—when most members are away—fanned Labour's wrath).

The basis for its suspicions of wrecking is the withdrawal of the draft regulations on food hygiene issued to the interests concerned for their comments. These regulations will be the heart of the measure when it becomes law. Other clauses give the Ministers of Food and Health powers to determine the composition of various foods and, if necessary, to prohibit the inclusion of certain substances found to be harmful, a precaution that has become necessary by the growth of the food processing industry. In addition, the Bill will strengthen the provision under the principal Act (of 1938) which prohibits the use of misleading labels and advertisements to describe any food or drug. But to the public the Bill is known as the Clean Food Bill. Has it been wrecked, as Dr Summerskill alleged, by caterers thinking more of their profits than of the public safety?

She cited instance after instance of the original draft regulations being dropped or greatly modified by the Ministry of Food, as a result of the representations made by the catering industry. But, as Dr Hill made quite clear when winding up for the Government at the end of the debate, the Ministry never expected these regulations to be accepted in their entirety. They contained an ideal code of hygiene, embodying almost every recommendation—but with one or two surprising omissions—made by all the experts interested in the subject. The result was some extraordinary anomalies; nor was any attempt made to differentiate between what was enforceable and what unenforceable but desirable. That was left to be sorted out after the Ministry had received the first comments of the trade. The Ministry then prepared some new draft regulations, based on the original ones, embodied others in a suggested code of practice, and has now sent the whole lot to the catering industry for further comment. Dr Summerskill—together with the Labour members who have seized on this "surrender" as a happy talking point for holiday speeches—must know that a great deal of the original draft was quite unenforceable and impracticable. It is one thing to say that everyone handling food ought to wash their hands after using the WC; but it is quite another to fine or imprison them for failing to do so.

Attracting Science Teachers

AN independent committee set up by the Federation of British Industries has produced a constructive report on the shortage of teachers of science and mathematics. This shortage will get worse in the next five years as the secondary school population grows; even if no allowance is made for the tendency for pupils to stay longer at the grammar schools, or for any improvement in the present staffing ratio, the schools are threatened with a deficiency of 2,300 teachers of these subjects by 1960. If these missing 2,300 are to be supplied, the committee believes that university science departments will have to be expanded; more questionably, it also recommends that science teachers should do only a shortened national service—although enough to give them basic training and to absolve them from complaints of shirking.

The committee's most important conclusion, however, is that the schools will have to pay salaries nearer to those that scientists can earn in industry. It does not recommend an increase in the starting salary, but, very wisely, prefers to concentrate the larger fruit at the top of the tree. It suggests there should be four grades of assistant master, with promotion by merit from one grade to another. In the top grade the maximum salary should be £1,500, compared with the present maximum of £941 with special allowances. If this plan were confined to scientists it would cost about £1½ million a year; if civil war in the common room made it necessary to extend it to all teachers it would probably cost about £4 or £5 million a year. This, however, would still be a small proportion of the total salary bill of £150 million, and far less than the cost of equal pay. On this reckoning the country can—and should—avert a very real threat to industrial progress at a surprisingly low price.

New Relationship for Iran

THOSE who like reading between lines can discern, as they digest the new oil agreement with Iran that is described on page 461, some interesting lessons for foreign investors in touchy countries, as well as for the touchy countries themselves.

What the published statements show is, on the one hand, that the Iranians had to get agreement for their Treasury's sake but that, to get it, they had to waive many prejudices in order to make their offers sufficiently attractive to tempt the foreign investor back into Iran. The statements also

show that the consortium of oil companies, though not specially anxious to take risks because Iranian oil was no longer essential to them, were being egged on by their respective governments to do so because a stable, industrialised Iran is a political asset to the western world.

Both sides suffered from an additional handicap as they strove to find their formulæ; the Iranians had to strike a difficult balance between offering the foreigners some bait and producing a settlement that would look triumphal to a nation that has for years been stuffed with warped stories of what foreigners want to do to Iran. The handicap for the consortium companies was their heavy investment in neighbouring Middle East states. If they were over-generous to a nation that had interpreted nationalisation as the right to maltreat a foreign investor, were they not putting a premium on tantrums? The Arab states next door are all watching, lynx-eyed, to see if and where Iran is to get more favourable treatment than they. In fact, their scrutiny will reveal that though it is getting benefits, these will not be greater than any Arab state has got already, and that nothing Iranians can do will recover for them the losses incurred during three disastrous years of trying to run oil without partners. One of the best points about the agreement is that it brings to an end a supposed relationship between western exploiter and Middle Eastern victim. Its basis is a common or garden business partnership bringing advantages to both parties.

Achievement of this result in spite of the obstacles is a triumph of reasonableness. Notable contributions to it were the demeanour whereby the western negotiators suggested even to ardent nationalists that the bad old days were over, and the acumen and tolerance whereby the chief Iranian negotiator, Dr Amini, brought his compatriots in office to see that certain Asian prejudices are out of date. Whether the Majlis can be brought to think likewise when the agreement comes up for ratification depends greatly on the Shah, who wields more personal influence than any other individual in Iran.

On Co-existing Peacefully

SIR Winston Churchill and Mr Eden have adopted Stalin's slogan of "peaceful co-existence" after it has become old-fashioned in Moscow. It is true that Soviet and Chinese propaganda has had a great deal to say in favour of peaceful co-existence since the phrase came so unexpectedly from the lips of the British Foreign Secretary. But Communist policy has in fact moved ahead from the conception of two camps which was its basis in the days of Stalin. Now Mr Molotov propounds a different idea, that there is no need for two camps at all. They might, according to the Soviet plan, be united in the mutual defence systems which the Soviet and Chinese leaders have proposed for Europe and Asia. The Communists have not yet gone so far as to adopt the slogan of "one world," but they are approaching that point. They already propose Europe for the Europeans and Asia for the Asians, that is to say, two worlds, both without America.

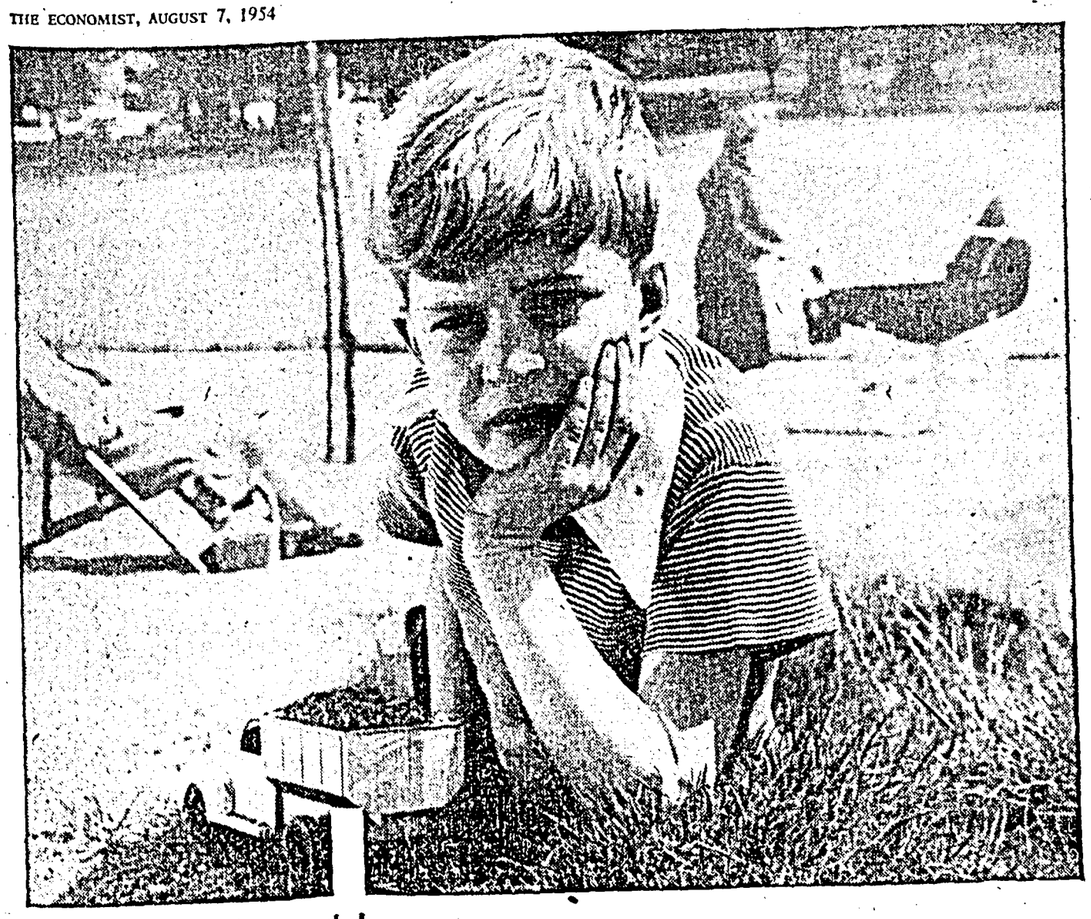
"Without America" are, of course, the operative words. "Peaceful co-existence" as generally understood in Britain means that the western camp is grouped around the United States, and it is here that the fundamental difference lies between Stalin's idea and the advance on it made by his successors. The Soviet slogan in the latest stage of Communist strategy is that America's policy of strength has proved to be a failure. The main exposition of this argument against "positions of strength" (for America) and for the Communists' mutual defence systems (without America) came first from Mr Molotov, in his survey last March of the conference in Berlin. It has since been repeated by the Chinese, East Germans, including Field-Marshal Paulus, and various innocent Socialists. Mr Chou's pact of peaceful co-existence with Mr Nehru, for example, is evidently intended by the Chinese Communist leaders to be merely the preliminary to his Asian system of alliances, designed to eliminate American positions of strength and financial aid to Asia. Indeed, one Chinese Communist journal has jumped well ahead of the facts by declaring that the pact means that "the peoples of Asia" have now realised the need for this system.

The Communists and the British are, therefore, talking about two contrary propositions when they speak of "peaceful co-existence"—one meaning two camps, with America, and the other one camp, without America. It is just as well that this should be understood. It is of more practical importance than the well-known fact that the Communists have never thought of peaceful co-existence for ever. Ideological lectures still point this out to the Russian public. After national states have first all become Communist, said a recent lecture, they will be merged into one world-wide "people's empire." But, before this earthly paradise comes to pass, the Communist politicians must succeed in befuddling a great number of people in the West and East about their intentions.

Muzzles for Cyprus

WHAT has been said and done about the Cyprus question in the last fortnight makes it look as if the Foreign Secretary and his colleague at the Colonial Office have said to their officials: "Swat that fly; it worries me." To the handling of this complex and embarrassing matter they appear to have brought none of the patience and ingenuity that they have displayed recently, the one in Geneva and the other in Nigeria and the Gold Coast. It is one thing to say Britain must remain sovereign in Cyprus for purposes of sure defence of the Eastern Mediterranean. It is another and less defensible one to say this without even trying to discover a way of reconciling British rights and needs, Greek sympathies for the Cypriots, Cypriot yearning to be Greek, and Turkish unwillingness to see Greeks displace British. But it is yet a third, and one wholly without justification, to offer a new constitution as a first step towards self-government, and almost in the same breath to revive severe anti-sedition laws.

Henceforth it appears that to write and talk about a change of sovereignty in the island will be seditious. It may be punished by up to five years in prison; offending editors and publishers may be driven out of business; captious citizens may be deprived of British nationality



"Daddy, what is earth made of?"

That's mostly powdered rock he's playing with, you tell him—mixed with mould. It's the top of the earth called soil; in it are mineral salts, which help to feed the plants which in turn feed us.

Earth—the basic raw material. Sometimes scratched, even to-day, with Bronze Age tools, yielding a pitiable crop. Yet fertile, brimming over, where it is channelled for irrigation, ploughed, reaped, *husbanded* by power: diesel and electrical power, supplied all over the world by THE BRUSH GROUP LIMITED.

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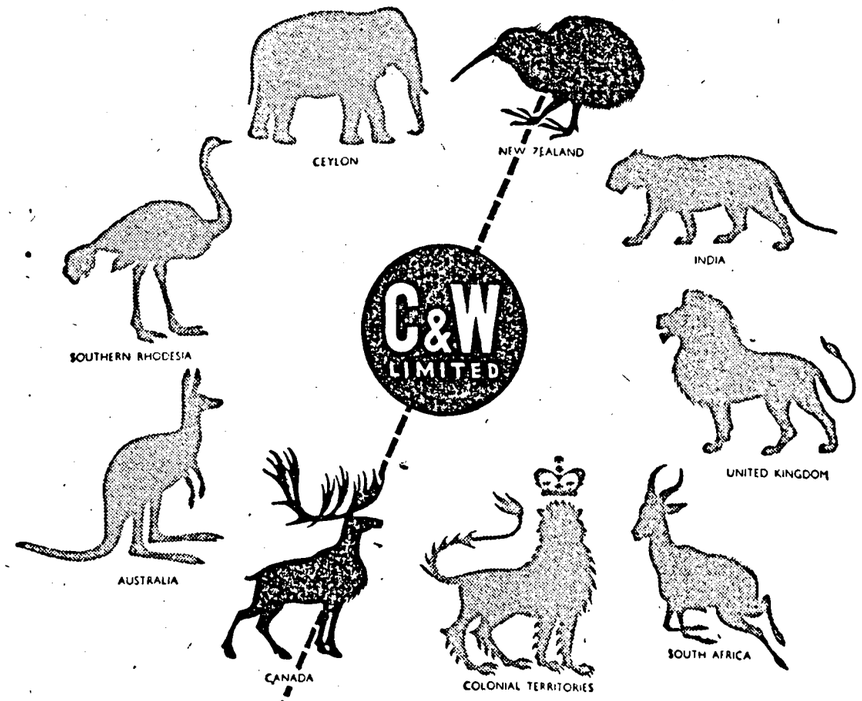
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and aliens—presumably Greeks included—may be deported. The only excuse for making such threats at this moment would be convincing evidence that the numerous and well-organised Communists of Cyprus were planning big mischief. But nothing of the kind has been claimed, and three months must now pass before the House of Commons can inquire whether the danger exists. Admittedly *enotists* write and talk in an emotional and provocative way. It is true, too, that Cypriots and Greeks seldom hear the political and economic consequences of a change of regime objectively reported and discussed. But the British surely have sufficient reserves of skill and political art to avoid confronting excited nationalists with the gag.

Saving the Stowaway

It was ironical that the Polish ship, *Jaroslaw Dabrowski*, which was taking the Americans Dr Joseph Cort and his wife to their chosen home behind the iron curtain, should also be taking the stowaway Antoni Klimowicz back to the country from which he was trying to escape. Klimowicz had been discovered in the hold by dockworkers, and —learning that he wished to see the English police—they tried to smuggle him ashore. They were discovered, and Klimowicz was seized and locked up by the Communist crew. He was still on board when the ship weighed anchor and began to move down the Thames.

Meanwhile, the dockers had got in touch with the Polish Ex-Combatants Association, which had informed the Home Office. The Lord Chief Justice then gave leave to issue a writ of *habeas corpus*, requiring the master to produce Klimowicz in court on August 3. This was served at the last desperate moment—on July 31st, with the impressive accompaniment of 80 river police, in a flotilla of launches, and a destroyer standing by. When the master refused to co-operate the police searched the ship and took the stowaway ashore. His appearance in court on Tuesday was a formality, merely part of the procedure that was used to get him ashore. His application for asylum is now being considered by the Home Secretary.

There was nothing unusual, in order to set free a person thought to be detained against his will, in the issue of a writ of *habeas corpus*; and this writ, of course, runs in British territorial waters. The action taken follows in a line from the judgment of Lord Mansfield in the Somerset case in 1772, when a slave owner was travelling in a ship that called into the Port of London—and had his slave wrested from him and set free. No man, said Lord Mansfield, can be a slave on British soil. That dictum has rightly been re-echoed. But, amid the excitement, one lesson of this affair is apt to be forgotten: the machinery of British justice is meant to be swift and silent; in this case it was nearly too slow, and—partly because of Communist resistance, but perhaps partly for reasons of political show—it was certainly noisy to a degree.

Returning to Work

A case recently heard in the High Court underlines the financial difficulties sometimes placed in the way of disabled persons wishing to return to work. The appellant, who was severely paralysed as a result of poliomyelitis, contested the decision of the Minister of National Insurance that he was "gainfully occupied"; he complained that his necessary expenses in getting to and from work exceeded his earnings. His appeal was dismissed, and the refusal to allow him sickness benefit of 32s. 6d. a week was upheld.

The case is interesting for more than one reason. First, it emphasises again the sharp distinction between the treatment of persons under the national insurance scheme and under the industrial injuries scheme. Anyone disabled as a result of his employment—or war service—is allowed to retain his disablement pension even when he has returned to full-time work and even though his disability involves him in no extra expenditure. Obviously people on sickness benefit under the main scheme cannot be treated so generously as this. But the National Insurance Advisory Committee might consider whether some provision should be made to allow a temporary overlapping of benefit and earnings, especially in cases where a return to work is encouraged as part of the process of rehabilitation.

At present, from the national insurance point of view, a person is considered as either completely well or completely incapable of work. That is, he is regarded as entitled to his 32s. 6d. a week, with dependants' allowances, or to what he can earn. There are only two exceptions to this rule: first, hospital patients who are prescribed occupational therapy are allowed to earn up to £1 a week from the work thereby performed; secondly, people unfit for any real work are allowed to earn up to £1 a week by homework, but they forfeit the whole of their sickness benefit if their earnings exceed that amount. In 1948 the advisory committee recommended that the possibility of extending the provision for hospital patients to other patients should be considered after experience had been gained of its working. But that would not meet the whole need. People who have had a long or severe illness are often reluctant to test their recovery by a partial return to work, because it means the complete withdrawal of their sickness benefit. It is possible that this lack of a half-way house sometimes postpones indefinitely a full return to work; and the advisory committee might consider whether the disadvantages of the present system do not outweigh the dangers of sickness benefit being used to subsidise low earnings.

Co-operation in East Africa

The annual report* of the East Africa High Commission, which was published at the beginning of last week, testifies to a long list of good works and necessary services; it says nothing of the storms that have lately blown around the idea of still closer links between Kenya, Uganda and Tanganyika. That is an instructive commentary on the way in which the High Commission has developed. At first, federation was advocated by Europeans who saw, or thought they saw, a chance of throwing a chain of white settlement down the backbone of Africa. They soon came to see the obvious snags; and the black races—particularly in Uganda —saw them sooner still. The present High Commission did not stem from this debate, nor from the reports of the many committees that investigated East Africa between the wars. It was confirmed in its present form by the Labour

*HMSO. Colonial Number 305. 3s. 6d.

government in 1947, and it grew out of the common administrative machinery set up during the second world war.

The commission's activities include the administration of the railways, harbours and postal services of East Africa. In addition, customs rates are tied to each other; there is a common income tax service; and the commission is responsible for a variety of research and control organisations, such as locust control, agriculture and forestry research, and a common statistical service. Africans in Uganda tend to be suspicious of it—partly because its headquarters are in Nairobi and its ex-officio chairman is the Governor of Kenya, and partly because they are not satisfied with the inter-racial character of its assembly. The unofficial element in this assembly is drawn mainly from the members of the three territorial legislatures, and through them responsibility for the activities of the commission is sifted back to the territorial units. No doubt the originators of the scheme hoped to see a common political consciousness grow out of this functional approach. But this has not been the result. The commission's present scope will come up for review before the end of 1955. At that review its existence should be recognised as a useful economic and administrative, not as a sinister political, fact.

Rome and EDC

THE bill for ratification of the European Defence Community Treaty has been approved by the foreign affairs commission of the Italian Chamber of Deputies. The sixteen members of the government coalition voted for it and the eleven Communists and Nenni Socialists against it. Two Monarchists and one MSI member abstained, but the Monarchists were careful to point out that this abstention did not represent their party's final view. The finance, defence and justice committees of the Chamber have already approved the bill and the way is now cleared for a debate in the lower house. This is expected to take place when the Chamber reassembles in early autumn. After the lower house has voted, the EDC issue will go before the Senate, and a final decision can be looked for in December.

If the Scelba government is allowing so much time, it is precisely because the chances for a final ratification by Italy have been improving steadily. The government does not want to force it through by the narrow margin of votes already available. The Monarchists and the neo-Fascist MSI, both of whom started out as strong opponents, are gradually coming round. At present they are abstaining, but in December they may very well vote with the government. Two external factors have been preparing the way: the Trieste problem appears near a solution and the *rapprochement* between Belgrade, Athens and Ankara has made Italy more conscious of the need for integration within the Atlantic camp.

There are cynical observers, however, who give a different explanation. The Italians are increasingly convinced that Paris will not ratify EDC in its present form. An Italian ratification, therefore, would bring handsome dividends in American goodwill without really affecting fundamental issues. Seen in a European context, one thing is certain: the growing support of Italian right-wing extremists for the treaty is likely to intensify French opposition to it. A growing majority in Rome may mean a dwindling one in Paris.

To Encourage Montenegrins?

LAST week the Orthodox Metropolitan of Montenegro, Bishop Arsenije Bradvarevic, was sentenced to eleven and a half years' imprisonment with hard labour, on a charge of plotting to overthrow the present government. On the evidence available, such drastic treatment for an old man of over seventy hardly seems to be justified. He appears to have indulged in careless talk and wishful thinking about the possible downfall of the Communist regime, but of positive and practical scheming to overthrow it the evidence published is flimsy. The Jugoslav government's action is all the more surprising since for nearly a year it has appeared anxious not to sharpen its differences with the churches; and when the Jugoslav leaders have discussed religious affairs it is the Catholic bishops, not the usually more amenable Orthodox ones, against whom they have fulminated.

The trial of Bishop Bradvarevic is not an attack on religion as such, but it is evidence of Belgrade's determination to make the churches completely subservient to the state; for the Bishop's real crime, in the eyes of the Jugoslav Communists, was his consistent opposition to measures designed to bring the clergy under state control, and in particular to the state-sponsored association of Orthodox priests. But why was he treated with such severity, instead of being allowed to retire to a monastery, as was the aged Metropolitan of Skoplje four years ago? The authorities clearly do not want to use the trial to stir up feeling against the clergy; on the contrary, the Jugoslav press, which usually makes the most of any alleged clerical misdeeds has almost ignored the whole affair. Perhaps the truth is that Belgrade is glad of an occasional opportunity, however ill-chosen, to display its strength and resolution in the isolated fastnesses of Montenegro.

A Gift for Russia?

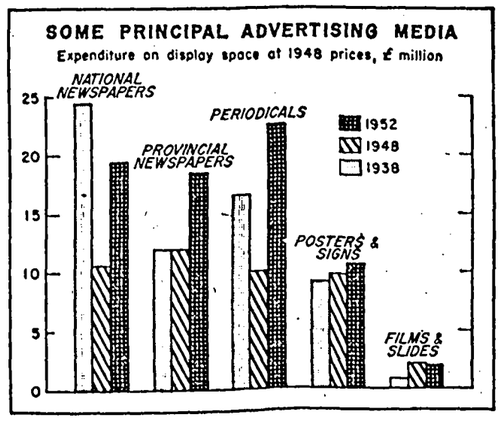
The cause of sound principles of government, of constitutional action, and of individual liberty, has this week gained an important and significant victory in the rejection of Lord Palmerston's proposal to continue the existing Board of Health. The Home Secretary was desirous of persuading the House of Commons to pass his Bill, preserving to that Board its present constitution for at least another year; and the House, aware that this proposal was simply one for empowering Lord Shaftesbury, Mr Chadwick, and Dr Southward Smith to continue to manage the sanitary affairs of the country henceforth as they have done hitherto, intimated unmistakeably that on no terms and under no circumstances would it grant to those gentlemen any longer lease of power. Three more benevolent or meritorious men it would be difficult to find anywhere:—three malefactors on whose proceedings it was more necessary to put a peremptory check, it would be still more difficult to find at large. . . . Lord Palmerston recently gave a most happy definition of dirt. "Muck (he said) is only wealth *in the wrong place*." In the town it is pestilential filth: in the country it is fertilising manure. Nearly the same may be said of Mr Chadwick. He is a jewel—in the wrong place. He is a gem—spoilt from bad setting. In Austria, in France, in Prussia—in any country where people were to do nothing for themselves, but to have everything done for them; where they were to be governed honestly, justly, kindly, but to have no self-government whatever—Mr Chadwick would be invaluable He would be worth fifty ordinary bureaucrats. But there is one nation in Europe where he would be beyond price; . . . where nearly everything requires changing; where men are slaves and willing slaves already; and where, therefore, Mr Chadwick's peculiar faults would be unfelt and his peculiar merits would have ample scope. . . . We honestly believe that we shall give Russia an ample equivalent for all that we shall have taken from her, if at the conclusion of peace we make her a present of Mr Edwin Chadwick, to preside over and reform her corrupt but far stretching bureaucracy.

The Economist

August 5, 1854

The Cost of Advertising

AN interesting survey of advertising in the United Kingdom has been prepared for the Advertising Association by Mr Rodney Silverman. He estimates that total expenditure on advertising was £199 million in 1952, compared with £121 million in 1948 and £98 million in 1938. Throughout this period advertising in the press remained consistently at just over half of all advertising expenditure, but there have been wide variations between different types of newspaper. As the chart shows, the national newspapers (owing primarily to newsprint rationing) lost ground to the provincial newspapers, magazines and periodicals—as well as to posters, films and transport space.



In 1953, according to Mr Silverman's preliminary estimates, total advertising expenditure reached £230 million; and to some extent the prewar pattern is now being restored. In national and London evening newspapers Mr Silverman estimates that the volume of display advertising had regained the prewar level in 1953, but in the meantime there had been a 60 per cent increase in circulation. Provincial papers did still better, with a volume of advertising almost double what it had been before the war; while magazines and periodicals, whose circulation has increased enormously, gained about 65 per cent more advertising in the same period. The greatest loss, in proportion to all advertising expenditure, has been suffered by radio advertising. Radio Luxemburg is now virtually the only station for English language broadcasts, whereas before the war there were several French commercial stations. It is still a very open question whether commercial television will find it easy to tap from this pool the £3 or £4 million a year that will presumably be needed to keep the Independent Television Authority alive.

Economic Advice for Mr Costello

OUR correspondent in Dublin writes: The annual report of the Central Bank of Ireland is able to point to a recovery of both production and employment in Irish transportable goods industries in 1953-54, together with a moderate improvement in farm output. Exports rose in volume and value; and—although there was probably still a small deficit in the current balance of payments—the external assets of the commercial banks again increased appreciably in 1953. It is possible, however, that the new Government has had the bad luck to take over at a time when conditions are about to turn more sour. Imports are rising again in volume and in cost, and it cannot be expected that export prices will be maintained at recent levels indefinitely. The Central Bank stresses the peril of "pricing ourselves out of our export markets"; and adds that the course of prices in Ireland during 1953 was much less favourable than in other countries of western Europe. The result of the general election was one reflection of that.

Like most other economic commentators in Ireland, the bank discusses how far the Republic's problems of unemployment and emigration can be solved by programmes of capital expenditure. It says that much recent investment has, perhaps necessarily, been in projects of social rather than economic importance, with a heavy increase in the burden of debt. "There is an evident reluctance to face economic realities, and the whole edifice of government, central and local, is planned on a scale befitting a highly industrialised economy but less suitable for an agricultural economy with limited resources apart from the land." The remarks of central banks on investment policy are not often well received by governments. But insistence on the importance of agriculture may find a hearing in the new cabinet; it is unlikely that the rate of capital investment will be appreciably reduced, but it may be more fruitfully directed. In this respect the Central Bank's views may be aided by the long-awaited report of the Commission on Emigration, which emphasises the importance of investment but is not unmindful of the other and more imponderable issues—such as problems of organisation and technique—around which a great deal of Irish economics turn.

SHORTER NOTE

Correction.—In a Note on page 351 of last week's issue, it was stated that 85,000 primary school places were under construction to cope with the 80,000 extra children who would enter these schools before the end of 1957. The figure of 85,000 was a misprint; in fact, 185,000 places are under construction.



from China to Peru

You sharpen your pencil. Then, as you close your pen-knife, you glance at one of the blades. You see engraved on it the word 'Sheffield' and it comes as no surprise. Nor should it wherever you are. Last year over 300,000 *dozen* British steel pen-knives were exported: to practically every country in the world. Pen-knives or pipelines, razors or railways, the story is the same. Wherever there is steel there is British steel.

British steel leads the world

S.80 THE BRITISH IRON AND STEEL FEDERATION

Books & Publications

Servant of Bengal

WARREN HASTINGS.
By Keith Feiling.
Macmillan. 431 pages. 30s.

THE star-crossed career of Warren Hastings presents superb vistas for a biographer; it embraces the restless Indian scene, coloured by corruption and malevolence, the stock-jobbing politics of the East India Company, and the cynical manœuvrings in Parliament where impassioned invocation of principle concealed a scramble for power and profits. All these strands are combined in the long agony of Hastings's impeachment, based upon evidence tainted by prejudice and reinforced by the diatribes of Burke and the histrionics of Sheridan. After Hastings's death his reputation was subjected to a further Whig scrutiny by Macaulay, who, while insisting upon the achievements and abilities of Hastings, let the hard light of his intelligence play upon the ambiguities in Hastings's career, and dismissed brusquely "the idle story that Burke had some private slight to revenge." Now Hastings can be considered more sympathetically. Burke's dubious Indian connections have been exposed; and Hastings's present biographer is also the historian of the Tory party. Using the three hundred volumes of Hastings's papers Professor Feiling has aimed at setting his subject in the full context of the political and commercial morality of his own age.

Macaulay wrote of Hastings that "his internal administration, with all its blemishes, gives him a title to be considered as one of the most remarkable men in our history." Hastings's achievements are the more impressive since he never enjoyed unquestioned power. The East India Company did not have full sovereignty in Bengal, and Hastings as governor was for a long period outvoted by the majority on his council. Moreover, he had to create new traditions of service among the company's servants, many of whom had come to India to mend their fortunes. "Wild as the chaos itself" was Hastings's phrase for Bengal. Mr Feiling has chosen not to dispel the chaos but to emphasise it by painting an impressionistic picture of Hastings at his daily task, faced by the complications of Indian land-tenure, eastern corruption, frontier wars and French intrigue, with his nerves frayed by the endless conflict with Philip Francis. But from this confused and crowded detail Mr Feiling has detached the principles which informed Hastings's actions. He loved India and had no colour prejudice. His avowed aim was "to found the authority of the British government in Bengal on its ancient laws." By centralising authority in Calcutta he hoped to reduce corruption, and, by revising the system of land tenure, to improve the lot of the peasant, thus ensuring the prosperity of Bengal and the profits of the East India Company.

The tragedy and ambiguities of Hastings's career can be ascribed largely to the double allegiance he owed to the British Government and to the company. He was required to be an opportunist and had in addition realism and even ruthlessness. Like Macaulay, Mr Feiling sees some blemishes. Hastings was not rapacious, but some of those he sheltered undoubtedly were. He could misjudge people and he could mishandle a situation. Of his high-handed treatment of the Begums of Oudh Professor Feiling writes, "Unhappily, such beams of light as we can discover have a murky air, like coarse tallow in a tomb." He defends Hastings against the charge of conniving at the judicial murder of Nuncomar; yet here Hastings's realism led to the strict application of English law while his general principle was that to subject Indians to an alien code was "wanton tyranny."

Mr Feiling's interest is in men rather than measures. But if he has not given us an analytic assessment of Hastings's reforms and a judicial sifting of the impeachment charges, he has used his gifts for vivid characterisation and apt quotation to the full. Philip Francis "always loved a cosy home, had distinction of speech, an agreeable irony, and soft hands." Francis suffered from the heat, and his venom against Hastings breaks out like the jerk of a cobra in the remark that "he is more tough than any of us and will never die a natural death." A multitude of people live again with Hastings in these pages, and even if those without previous knowledge of the period may find the book difficult, they will be recompensed by Mr Feiling's warm humanity and patient scholarship.

Great Deterrent?

STRATEGY FOR THE WEST.
By Sir John Slessor.
Cassell. 177 pages. 9s. 6d.

FEW will quarrel with Sir John Slessor's description of the problem posed by militant Communism, or with his politico-military object of driving Communism back behind its frontiers and keeping it there. Ethical and political considerations, however, surely demand the qualification that this task be executed with the minimum suffering and destruction in the long run.

The omission of this qualification is perhaps partly responsible for his questionable solution to the crucial military problem of our time—how to match the numerically superior Russian armies. Sir John's answer to that, and the main theme of his book, is to threaten Russian cities with annihilation by atomic/hydrogen air power. This "Great Deterrent," he maintains, will abolish world wars, provided the Western Allies are prepared to implement their threat without hesitation. But would they be so prepared when, as he admits, the resultant retaliation on their cities would make their action suicidal? Moreover, would their action conform with the moral standards they are at pains to defend against Communism? Might it not ultimately create more problems than it would solve?

Sir John holds that the Western powers cannot match the Red armies directly—even with atomic weapons on the battlefields—without ruining themselves economically. But, surely, the crucial question is whether the utmost resources of the West can be brought to match the Red armies at the decisive points if its superior atomic and other techniques are concentrated, not only on the key battlefields, but also on the air and naval operations supporting them directly and indirectly. If this could ever be achieved, could not the "Great Deterrent" of destroying cities then be reserved to deter the Communists from destroying ours—a purpose for which it would be both effective and justified?

Is it good enough to argue, as Sir John seems to, that atomic and hydrogen weapons are bound to be used ultimately, so the West ought to initiate their use in the biggest way from the start? Indeed, if it did, might not the smaller and more exposed Allies be knocked out by attacks on their cities so quickly as to render useless all their arduous preparations for holding the Russian armies?

One has similar doubts about the author's proposal for an atomic/hydrogen air "Locarno" to guarantee a Germany unified on Western initiative, and, again, one wonders whether a less drastic guarantee is possible.

Small wars, Sir John rightly admits, can be prevented or won only by readiness to apply "conventional" forces locally, and he correctly stresses the need to do this vigorously and without fear, using atomic weapons tactically and locally if really essential. But would not we, ourselves, sometimes be deterred from this if the "Great Deterrent" were the only further card to play should the Red army unexpectedly make a threatening move in a vital quarter as a result of the vigorous local action?

In arguing that British participation in the West's strategic bomber force should be achieved at the expense of aircraft carriers, Sir John does not do justice to the latter's roles and unique attributes,

and in stressing their expense and vulnerability provides few convincing arguments why, in these respects, they compare so unfavourably with shore-based aircraft and shore bases.

Nevertheless, this thought-provoking book should be widely read, and if approached with an analytical and critical mind should do much good.

The Wealth of Families

THE FAMILY IN THE AMERICAN ECONOMY.
By Hazel Kyrk.
University of Chicago Press. (*Cambridge University Press.*) 424 pages. 45s.

IF only human beings were more like herrings and less like rabbits, economic policy—and particularly the economic policies of welfare and social justice—would be wonderfully simplified. Herrings have no family life. Once hatched, they are on their own, atomistic individuals having no relationship to any group smaller than the shoal, for all the world like Economic Man. Rabbits are born blind, hairless, helplessly dependent on the family circle; the economic unit among them is neither the individual nor the warren, but—as among the real-life citizens of the human economy—the burrow-full or household. Herring-economics is complicated enough in all conscience; rabbit-economics, particularly given the fact that the human burrow is not tenanted throughout the life-cycle and contains such very variable numbers, is much worse.

"The Family in the American Economy" is a valiant attempt, more ambitious perhaps than its author realises, to provide a primer of rabbit-economics and to relate it to the more familiar economics of the shoal. It is excellent on facts and figures, sociology, statistics of family structure, income distribution, the balance of earners and dependants; it is suggestive and sensible on what the author aptly calls "consumer production"—the housewife's economic domain with its shifting and optional frontiers—on married women's earnings, on intra-family economics in general; it is shrewd and well balanced on standards of living and their social determination; it is compendiously informative on relevant legal points; in fact it is full of good stuff, even fuller than Miss Eleanor Rathbone's "Disinherited Family."

Unfortunately it is loaded down and padded out with a mass of general descriptive and theoretical economics of a very different order of merit. It must, of course, have been very difficult to judge where to draw the line—everything that happens in the economic sphere, after all, impinges on family incomes, security and welfare—but Professor Kyrk has drawn it so widely as to impose on herself the duty of writing about collective bargaining, the securities market, patent law, banking policy, monopolies and the trade cycle. It is exasperating to see what might have been a shapely, original, reasonably brief and not too horribly expensive work thus inflated to the dropsical dimensions and forbidding cost of the standard American textbook; for the chapters concerned have neither the stimulating power which can redeem a sketchy first approximation nor the solidity which can compensate for dullness. But if Professor Kyrk is weak on shoals she is very strong indeed on burrows; and that is a much rarer kind of strength than goes to the compiling of conventional economic courses.

Europe at War

HITLER'S EUROPE. *Survey of International Affairs*, 1939-1946.
Edited by Arnold Toynbee and Veronica M. Toynbee.
Oxford University Press for the Royal Institute of International Affairs. 746 pages. 63s.

DOCUMENTS ON INTERNATIONAL AFFAIRS, 1939-1946.
Selected and Edited by Margaret Carlyle.
Vol. II: *Hitler's Europe.*
Oxford University Press for the Royal Institute of International Affairs. 382 pages. 38s.

A "SURVEY," to be both adequate and useful, should presumably meet certain simple tests. It must rest on a reliable compilation of data without becoming a merely encyclopædic collection; it must gauge the relative importance of different sectors of its subject according to some constant and clear standards of significance; and it should not assume, in the end, proportions so massive that its average user cannot get a general picture of the whole field surveyed.

These basic tests have not been ever-present to the planners and editors of these two volumes, so that despite the vast amount of careful work that has gone into them, and the considerable interest of some parts of them, they fail in their primary purpose. They offer, instead of one integrated survey of Hitler's Europe, a medley of chapters, some primly narrative and painfully encyclopædic like Professor Cobban's on Vichy France, others more impressionistic like Mr James Parkes's on the treatment of the Jews; some concisely informative like Mr W. Klatt's admirable section on food and farming, others overloaded with technicalities like Mr Clifton Child's on Nazi law. And no general impression emerges from the 700 pages of the first volume; still less from the 350 pages of uncritically selected documents in the second volume.

The best and most useful part of the work is the sections on the political structure of Hitler's Europe by Mr Child and on its economic structure, mainly by Miss Patricia Harvey. Here the writers are dealing with the basic aims and techniques of Nazi power, and they do much to show the conflicts of purposes and even of methods into which Germany drifted in its "New Order." Even here, as in the chapters on Italy and France, value is lost by the attempt to separate political data from economic; and the writers fail to emphasise enough the ways in which political and ideological considerations constantly impeded and even frustrated sensible economic policies, and how economic necessities at times dictated unwelcome political moves. Occasionally one has the strange impression that the simple fact that Hitler's Europe was constantly at war has been lost from sight. Sheer military necessities often dictated what happened, however much Hitler may have tried to cling to dogmas. Because of this structural arrangement of the survey, some of the most interesting questions about its subject are left unanswered.

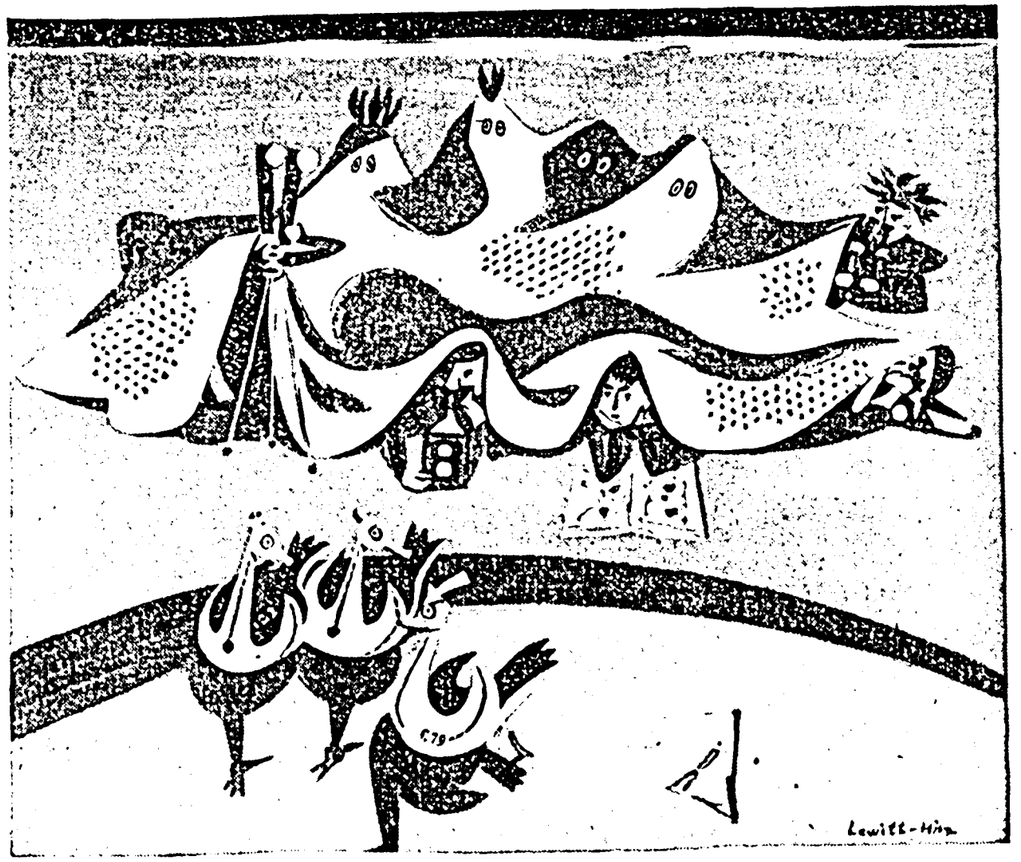
The scale on which the occupied countries of Europe are studied seems somewhat arbitrary, so that Luxemburg gets almost as much attention as Greece and Italy little more than a third as much as France. No effort is made to examine the really exciting question of contrasts between the western nations and the Balkan countries in the social bases and impulses of their resistance movements. This subject, requiring the pooled knowledge of a team of specialists, might have lent itself particularly well to treatment in such a book. But that opportunity has been lost. The sources have been oddly partitioned between the writers, so that the diaries of Goebbels are used for Germany and of Ciano for Italy; but neither is used (where they might appropriately and usefully have been used) by Professor Cobban when he writes about Vichy France, although he uses French sources very exhaustively. A flutter of cross-references in footnotes and a brief general introduction by Professor Toynbee are no compensation for this reciprocal unawareness of the contributors. The inconsequential little miscellany of maps adds nothing to the book except confusion. The volume of documents would have gained immensely from a more austere selectivity, and from the addition, in the space so saved, of critical commentaries on their circumstances and relative importance.

The work, then, is in no real sense a "survey." It is a quarry, from which the student of the war is left to hew what he wants. Perhaps its immediate service is to remind British and Americans alike, when they are inclined to look to Germany in the 1950s as the new saviour of Europe, that its record in the 1940s was such that the nations of Europe are unlikely to welcome this new role with much enthusiasm.

Man Against the Antarctic

THE WHITE DESERT.
By John Giaever.
Chatto & Windus. 304 pages. 25s.

FOR the space of many months the members of the Norwegian-British-Swedish Antarctic Expedition of 1949-1952 lived in perfect amity in that white waste which most of mankind knows only by conjecture. At their base camp they lived together in as great a degree of congestion as any city dwellers live. They never quarrelled. They were



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The naturalists of Schweppshire have long led the world in bird-watching, spider-watching, dandelion-watching and in fact watching. The time came, of course, when there were more watchers than watched; more naturalists than nature. Since what we have to do simply is really watch, Schweppshire did not allow etiquette or the old-fashioned shibboleths of the game to prevent them from providing an easy answer to this difficult question.

Because the watching of birds is, if possible, more O.K. than anything else, we provide the birds. But as live birds are usually difficult brown smudges which dart across the eyes before they can be seen, and since all look almost exactly alike anyhow, our birds are (a) dummy and (b) impossible not to tell apart. See above three decoy ducks floating alone on a Trust Pond in a Schweppshire Ornithological Union Sanctuary. Look again at the rolling sand dune which now you will see, perhaps, is a large piece of ordinary undercarpet cleverly camouflaged. Beneath it, how many watchers can you see? On the left, is Max Nicholschweppes making notes on the lack of movement observable through a periscope. Next is Eric Schwosking, capturing an unforgettable moment of unwild life. Peter Schwott, of Schwevern Wildfowl Trust fame, identifies with the help of his own identification book, the identity of the bird marked with an arrow, which is, of course, the bird marked with an arrow. Observing through binoculars are observers.

In the inset, Ludwig Henn records on the spot, after an eighteen-hour vigil, the typical squeaks of an actual weathercock.



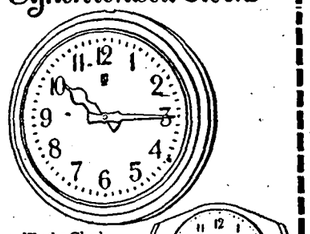
Written by Stephen Potter, designed by Lewitt-Him.

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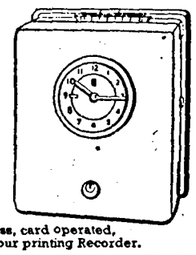


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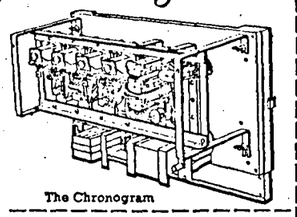
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bound together by the hard discipline of science, a common purpose and a common interest in survival. Nationality disappeared. They were all of one race; men against the Antarctic.

The tale is told by their leader, John Giaever from Norway. He tells it with a pleasant humour and suggests that he and his brilliant and distinguished companions were really just a lot of amateurs. Older than the others, he describes himself as "an experienced old crow among wise young owls." That he knew how to lead is manifest. He knows how to write as well.

> The Antarctic he describes as a desert still untamed, treacherous and menacing. . . One long summer day follows the one long night of winter in ceaseless alternation through ice-ages in thousands of years; yet neither summer nor winter is ever present there. It stands like a glacier realm of death, its pressure ramming in the pole of the earth, a provocative enigma. To the gazing eye it offers a vague, barren vision, but to the resolute spirit strong and ample nourishment. Here is a land of legend, yet without myth.

Many years have passed since Captain Scott and his companions perished in this same white desert. After several more decades of the machine age, men are no more invincible than they were. In a trice, three of Giaever's companions, from Melbourne, Sweden and Croydon, were snatched to their death. The expedition reached its destination in the same way and by the same route through the Weddell Sea that had been pioneered by Sir James Ross well over a hundred years before. Where Scott had used motor sledges and Siberian ponies, they used petrol-driven "weasels" and husky dogs. Mid-twentieth century man has not so many more advantages against the elements.

This book reads like a saga from the landing of the expedition in Queen Maud Land. The nature of Queen Maud Land alone requires careful explanation, for it is not land at all, but "floating ice and firm, solid, compressed snow." From the ship they transported between 300 and 400 tons of stores to set up their headquarters at Maudheim, which became a little metropolis, always in motion with the three foot rise and fall of the ice. Sometimes in the night they would wake up and ponder on the fact that this was not land, but that they were perched on many feet of ice, balanced on many fathoms of icy water.

At the other end of the world, in the Arctic, the sun glows in the summer and there are great wastes of granite rock and rank growth in the valleys; and the air is full of the sound of running streams and the cry of birds. But here there were no streams except melted snow trickling off the roof, and no birds and beasts but the seals, and the penguins, and the occasional skuas.

This attractive and unpretentious narrative covers more than two years. The interest never diminishes. There is death, there is discovery, there is disappointment and there is triumph. And the story is told by a pen such as few Polar explorers have ever possessed.

Destroyer

THE *KELLY*.
By Kenneth Poolman.
Kimber. 219 pages. 15s.

SOME future Sir Arthur Bryant, setting out in 2054 to add a touch of contemporary local colour to his chapter on the Royal Navy during "The Years of Endurance, 1939-41," may come across this book in the mountain of available material and find in it just what he seeks.

HMS Kelly was commissioned in August, 1939, and was sunk by dive bombers off Crete in May, 1941. Her Commanding Officer throughout her short but immensely busy life was Captain Lord Louis Mountbatten; now, as Admiral the Earl Mountbatten of Burma, C-in-C Mediterranean Fleet, he has written a brief foreword to this book about what was, in a quite unique way, *his* ship. The story of the *Kelly*, he observes—with a modesty more becoming than strictly accurate—is "merely typical of the tale of any of our destroyers during the first two gruelling years of war." The *Kelly* was unquestionably an outstanding ship with a quite outstanding Captain; yet, in what she did, she was perhaps typical. Commissioning with a raw crew in a tearing hurry, belting hither and thither around the coasts of Britain at everyone's beck and call, attacking (and sinking) submarines in the Atlantic and E-boats in the Channel, escorting the Fleet, being mined, torpedoed and bombed, fighting in the thick of the Norwegian campaign and in the early battles of the Mediterranean—any or all these are reasonably typical of the continuous performances given by destroyers belonging to the under-manned, under-shipped navy of the early war years.

Mr Poolman has painted with rapid, impressionistic strokes a small but fascinating picture of a British destroyer and those who manned her. Some passages may seem oddly familiar, particularly to cinema-goers; this is because the film *In Which We Serve* was largely based on the story of the *Kelly*—a fact which also accounts for the curious tendency on the part of the figure of Lord Louis Mountbatten to turn itself, every so often, into the likeness of Mr Noel Coward. Perhaps Mr Poolman's finished picture is just a shade too rosy in tone, but it is authentic for all that. Whether or not its freshness and vitality catch the eye of some future historian, they will certainly appeal to a wide public today; and many a wartime sailor may be led to reflect, as he swings round an office desk, that perhaps the Navy was not such a bad place after all—at any rate in retrospect.

Shorter Notices

ADVENTURE OF THE WORLD.
By James Fisher.
Rathbone Books. 67 pages. 10s. 6d.

This book is a triumph of collaboration—between the author, the art director, the illustrators and the map drawers. With a simple text and an abundance of colour illustrations, small and large, it tells the story of the world: how it began; the various ages of life; nature's work; man's work.

The book will fascinate people of all ages, but educationally appears to be intended for ten to thirteen year-olds. They will not always be able to follow the story without expert adult help. But they will be bound to find it an immensely stimulating supplement to the first years of geography. Prehistory, moreover, which is such a remote subject for young minds, is made to come alive by the exciting pictures of prehistoric animals.

From man's world and how he lives—in deserts, plains, mountains, cold countries and at sea and by rivers—the story ends with the ascent of Everest and the last secrets: the deep sea and space, illustrated by an imaginary space ship being inspected by its crew near the moon. The publishers deserve thanks not only for sponsoring such a beautiful production, but also for putting it on sale at such a remarkably low price.

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AN APPROACH TO MONEY AND BANKING.
By James Dandy.
Staples Press. 190 pages. 12s. 6d.

There is little scope for addition to the wealth of good elementary textbooks on money and banking, and any new work can be justified only by exceptional clarity of exposition and full coverage of the latest developments. Mr Dandy's book does attempt to describe the financial mechanism as it exists today and not at some date in the distant past; but that, unfortunately, is its single merit. Not only is the exposition throughout naïve in the extreme ("The starting point of inflation in modern times may with some justice be set in 1694 when the Bank of England made its first loan to the Government"); it also contains errors of fact. The most serious are contained in Mr Dandy's discussion of the rate of interest ("What Money Costs"). For example, he makes the statement that "in the case of Government securities the investor normally assumes that his investments will not fall in value," and then goes on to cite the example of a purchaser of Defence Bonds. The chapter on the creation of credit is also full of errors and half-truths. The reader is forced to the reluctant conclusion that Mr Dandy has not fully understood the subject he is writing about.

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V2.
By Major-General Walter Dornberger.

This book, which was reviewed last week under the heading "Secret Weapon," is published by *Hurst and Blackett* at 16s.

Books Received

BELPHAGOR.
By Niccolo Machiavelli. Illustrated by Danuta Laskowska. *Rodale Press.* 32 pages. 5s.

MY DEAR MRS. JONES: *The Letters of the First Duke of Wellington to Mrs. Jones of Pantglas.*
Rodale Press. 58 pages. 5s.

THE STORY OF JEPHTHAH.
Illustrated by Peter Rudland. *Rodale Press.* 39 pages. 5s.

REGIONAL ECONOMIC STATISTICS.
By K. S. Lomax. *Royal Statistical Society.* 16 pages. 2s.

Published under the auspices of the Royal Institute of International Affairs

SURVEY
of International Affairs
1939-1946
Hitler's Europe 63*s. net*
Edited by
Arnold and Veronica Toynbee

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Edited by F. A. Hayek

GEORGE SCHWARTZ, *Sunday Times:* "I can recommend these studies as a useful and salutary corrective to the legends that have grown up about the conditions of the past."

C. V. WEDGEWOOD, *Time and Tide:* "Extremely interesting book . . . brilliant *exposé*."

10s. 6d. net

Routledge & Kegan Paul

Letters to the Editor

Diplomacy and Cyprus

SIR—In your article of July 24th, it is stated that the Greek Government took up the question of Cyprus in order to deflect public opinion from differences at home. May I point out that the present stable Greek Government with a majority of 240 deputies in a Chamber of 300 seats is not in need of any such methods. In fact the claim on Cyprus was officially raised by the previous Greek Government in the Chamber on February 15, 1951, and was followed by a demarche in London; it could not, however, be further pursued then, owing to that Government's unstable position and slender majority in the Chamber.

The doubts expressed in the article as to the security of military bases on Greek territory in view of the treaty with Egypt on the Suez, are hardly justifiable; no analogy exists with Egypt, which is not a member of Nato and whose general attitude towards Britain and her allies has all along been entirely different from that of Greece. Furthermore, in the strategic use of any base the feelings of the local population have to be considered no less than the legal sovereignty of the territory.

As to the suggestion that by abandoning sovereignty in Cyprus Britain will get nothing in exchange but the good will of the Greek Government so long as that Government is in office, may I say that far more is involved; the permanent good will and friendship of the whole Greek people, now in danger of being irreparably impaired, will be won. The merit of that friendship stood its test during the last war when at its most crucial moment Britain found by her side only Greece fighting to the bitter end.

But more still, the moral gain from showing to the world that Britain places her conception of right and wrong first in her policy is immeasurable; on such imaginative statemanship depends her right to the moral leadership of the world.—Yours faithfully,

ZENON ROSSIDES,
Delegate of the Ethnarchy of Cyprus
London, W.1

After Crichel Down

SIR—In your issue of July 24th you rightly demand that "no Minister and no department shall take any decision affecting the rights or property of any individual without the papers being referred—not necessarily for decision, but at least for report—to some wholly independent scrutiny." I submit that the most suitable method would be a "supreme administrative court."

Such supreme administrative courts exist in most countries whose legal systems distinguish between public (administrative) and private law. Owing largely to Dicey's influence the existence of "administrative law" has been hotly contested by English lawyers, and the existence of the prerogative writs has been used as an argument to maintain the illusion that no "administrative" law exists in England. But it is obvious by now that the existing machinery of justice is not able to deal adequately with the new problems of delegated legislation.

To have in each case "recourse to some form of independent referee," if this meant *ad hoc* committees and *ad hoc* referees, would not, I submit, lead to the desired result, which is the creation of absolute certainty in each individual's mind that he is always able to defend his rights against any public authority as effectively as against any private individual. A referee appointed in each case by the Minister can never command such confidence as a High Court Judge who cannot be dismissed by the Executive.—Yours faithfully,

London, W.C.2 ALFRED DRUCKER

Borrowed from Stalin

SIR—A letter in your issue of July 10th from T. Zavalani gives shocking misinformation about the leading article in the Moscow *Kommunist* (No. 6, April, 1954). He states that "in this long article there is no mention of peaceful co-existence." On the contrary, on page 9 is this specific paragraph:—

> The Soviet Union does not impose its social system on anyone. The builders of socialism and communism in their relations with the capitalist countries start from the possibility of the prolonged peaceful co-existence of two systems—the capitalist and the socialist—from the possibility of peaceful economic emulation and business relationships between countries with different social systems. Co-existence and co-operation between them are quite possible, given mutual desire to co-operate, readiness to fulfil obligations undertaken, observance of the principle of equality and non-interference in the internal affairs of other states.

There is much else in the article bearing on the same question. Your correspondent did not even get the title correctly, making it refer to the march of humanity towards "communism," when it speaks of the march towards socialism. The distinction may not mean much to your correspondent, but it means a great deal in a Soviet journal.—Yours faithfully,

ANDREW ROTHSTEIN.
British Soviet Friendship Society, E.C.1

American Survey

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

The McCarthy Dilemma

Washington, D.C.

THE upper house of the United States Congress has seldom contained a more uncomfortable group of people than it did last Friday evening when Senator Flanders, Republican of Vermont, finally presented his motion:

> Resolved, that the conduct of the Senator from Wisconsin, Mr McCarthy, is unbecoming a Member of the United States Senate, is contrary to senatorial traditions, and tends to bring the Senate into disrepute, and such conduct is hereby condemned.

The malaise of the Senators had been expected. The political ghosts of ex-Senators Benton of Connecticut and Tydings of Maryland—men who once dared to provoke Senator McCarthy's wrath—undoubtedly still walk in Congress in spite of various documented attempts to prove that it was not these acts of courage that brought about their electoral defeats. Every Senator knows that McCarthyism retains a unique hold over a considerable bloc of voters who are united solely by admiration of the Senator from Wisconsin and are likely to ignore all other criteria in deciding for whom to vote. There is also an opposing group, only relatively less single-minded in its determination to destroy supporters of McCarthyism at the polls. Between these two reefs many a Senator could discern no navigable passage.

But to this predictable discomfort were added other factors. The Democrats, although smarting under Senator McCarthy's attacks upon the "twenty years of treason" under their Administration, have clung to the view that McCarthyism is a Republican family problem for which the Democrats bear no responsibility. At the time of the Army-McCarthy hearings, when millions of citizens spent dozens of days watching Republicans vilifying other Republicans, this policy appeared profitable to the Democrats. It was defended by some of the strongest opponents of Senator McCarthy on the grounds that for the Democrats to take the lead against him would only rally the Republicans in a partisan struggle which would be fought without regard to the broader moral and constitutional aspects of McCarthyism. A reflection of this view was seen on the day before the motion of censure came up, in the decision of the Democratic policy committee in the Senate to call the question "a matter of conscience upon which each individual Senator should vote his convictions without regard to party affiliation."

Some Democrats, moreover, felt that Senator Flanders had not chosen the best way to attack the problem. They recalled that he had been a very recent convert, in public at least, to anti-McCarthyism; as late as March, they argued, he had seemed to be concerned for little beyond the damage that the Wisconsin Senator might do to Republican party unity. Once converted to the need for a general attack, Mr Flanders had made an unsuccessful attempt to persuade the Senate to deprive Senator McCarthy of his committee chairmanships; when this was unanimously rejected by the Republican policy committee in the Senate, Mr Flanders turned to the device of a resolution of censure. Many Democrats doubted the efficacy, and even the fairness, of such a resolution, phrased in completely general terms, lacking a bill of particulars other than that supplied by Senator Flanders's speeches in its defence, and stemming not from the investigations and deliberations of a Senate committee, but from the conscience of an individual Senator, independent and respected though he is.

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To this it could be replied that Senator McCarthy has either ignored or managed to confuse and frustrate the work of all the previous committees which have delved into aspects of his career, and that to advance a complex bill of particulars would be to invite defeat through differences of opinion over details. The dilemma of dealing with McCarthyism was thus encountered: if specific charges against the Senator are investigated, they can easily be obscured by him in the course of their formulation and, even when forcefully and clearly presented, they tend to give only a pale reflection of the total evil involved. On the other hand, to subject Senator McCarthy to any vague, general accusation—even one as obviously justified, to most thinking people, as Senator Flanders's—is to open the way to complaints that insufficient attention is being given to those very considerations of impartial justice for which the battle is being fought.

Finally, those Democrats and liberal Republicans who most desire to deal with McCarthyism doubted whether a vote of censure would have much effect. No matter how enormous and palpable the evil, something like a third of all Americans apparently remain under its spell. Would a vote of censure by the Senate awaken them to reality? To the minds of those who are convinced that the United States has been saved from Red revolution solely by the efforts of the valiant champion from Wisconsin, a successful vote of censure might simply have demonstrated that even the Senate is now heavily infiltrated by subversives.

The Republicans entered the fray with many of these factors present in their minds, and some others as well. The divisions in their ranks were bound to be accentuated and publicised by any debate over the issue, even without a decision. Their agony was well reflected, as was the direction in which they were looking for a way of escape, in the proposal of Senator H. Alexander Smith, of New Jersey, that a committee be set up to consist of three Republican and three Democratic Senators, with the Vice-President, Mr Nixon, as chairman, to investigate in general "the alleged good or evil of so-called McCarthyism," and to report to the Senate by February 1st—conveniently after the autumn elections.

No sooner had the debate begun, however, than the doubts and fears of both parties were expressed by demands from such disparate quarters as the two Senators from Oregon—the liberal Mr Wayne Morse and the conservative Mr Guy Cordon—for a more cautious procedure than a general debate, under the very lax Senate rules, upon a general resolution. The danger in such demands, of course, is that they lend themselves too easily to the kind of evasive action that Senator Smith only too clearly had in mind. However, as the debate developed over three dramatic days, the objection to a general censure without specific charges was met by amendments proposed by Senators Fulbright and Morse. The Democratic Mr Fulbright argued that his amendments needed no reference to committee since they contained nothing that could not be found either in reports from the previous committees which have struggled with various aspects of McCarthyism or in the official records of the Senate itself.

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Such arguments were in the end of no avail against Senator George, the patriarch of the conservative Democrats and a veteran of the last censure debates in 1929, and Senator McClellan, the leader of the Democrats on Mr McCarthy's permanent investigating sub-committee, which also investigated Mr McCarthy himself. Both favoured submission of the Flanders resolution and the amendments to it to a new bipartisan select committee as proposed by the Republican majority leader, Senator Knowland. There can be no guarantee that the Senate will in fact act on the committee's report, even if it comes before adjournment, but the debates showed that Senators were very sensitive to the charge that they dare not face the issue squarely.

One of the problems before Mr McCarthy's opponents during the next few weeks is how to make the fear of failing to deal with McCarthyism equal to the fear of dealing with it. Perhaps if the Wisconsin Senator treats this new committee as he has all other attempts to study his record, he will at last convince a majority of Senators that he is beyond redemption or appeasement. His intervention towards the close of the debate, when he attacked his accusers as "consummate liars," bullied them by implying that they would not dare testify against him under oath before the new committee, threatened Senator Fulbright with a libel suit and referred to him as "halfbright," indicates that Mr McCarthy plans no change in the strategy that Mr Morse describes as "political thuggery." But most Senators have been very patient with this sort of thing so far, and there are distressingly few signs that their patience is near its end today.

Advice of the Senate

CONGRESS is rapidly clearing its few remaining hurdles, in a determination not to be kept in Washington —and away from the hustings—beyond next week. It will have dispersed, in all probability, before it knows the decision of the French Parliament about the European Defence Treaty, to which the restoration of German sovereignty and the Germans' right to rearm are tied. The Senate felt, however, no enthusiasm for the Administration's scheme to call a special session in the autumn to ratify a new arrangement, should that be necessary. And it was not convinced that, if the Treaty is not ratified, Mr Dulles's plan for securing French consent to a limited restoration of German sovereignty was realistic, for this would not carry with it the right to rearm.

For these reasons the Senate, usually so jealous of the executive, has, in effect, offered advice and consent in advance; it has unanimously passed a resolution urging the President, if necessary, to take such steps as he sees fit to restore Germany's sovereignty and enable it to contribute to the military security of western Europe. This is expected to be accomplished by the simple exercise of the President's right—and that of the Prime Minister—to recognise a sovereign power which would imply the right to rearm. One more broad hint is thus dropped to the French by a Congress which would prefer to see the rearmament of Germany carried on inside the European Defence Community, but is becoming increasingly fearful that the delays in restoring Germany sovereignty may drive the Germans into the Russians' arms.

Debate on the foreign aid Bill was interrupted to pass the German resolution. The Bill itself contains another expression of senatorial opinion which, however, shows that Senators have taken the advice of the Administration. It conveys the unanimous opposition of the Senate to the admission of Communist China to the United Nations, and carries a request that, should this take place, the Administration should submit a report to Congress on the implications for American policy. This 90 to 0 stand is all that remains of Senator Knowland's original demand that the United States should walk out of the United Nations if Communist China walked in. And at his press conference the President hinted that he agreed with the American Assembly, a private organisation with many influential members, that future developments might make undue rigidity on this score undesirable.

A Nudge in Time

THE Secretary of Commerce, Mr Weeks, maintains that the policy of speeding up government procurement, announced last week, was decided upon when the Korean war ended, in order to fill the economic gap left by the decline in defence spending. It is, however, fortunate, to say the least, that this "relatively substantial nudge" is being given to prosperity just in time to save the Republicans from being charged during the election campaign with neglect of the country's economic difficulties. The nudge will give a little extra boost to the economic indicators as they begin their autumn climb and may shake them out of the depressingly dead level that they have followed in recent months.

The nudge is being applied, or will be applied when Congress has finished supplying the necessary funds, just where it is most needed, to America's most concentrated depressed areas, the shipbuilding and textile industries. The Navy and the Maritime Administration have already allocated their shipbuilding expenditures for next year and the Army has conveniently decided that it is time to spend $60 million on new green uniforms. It has also been placing contracts for tanks and combat vehicles, while the Air Force has announced that it will soon buy aircraft worth $1 billion; both the automobile and the aviation industries have been feeling the lack of government purchases. The Department of Commerce is allocating funds for new highways to state authorities six months earlier than is usual and federal aid is also being given to airports; together these two nudges should ensure that construction activity continues to support the national economy as buoyantly as ever.

All this proves that Republican economic policy is flexible and that the Administration is ready to counteract immediate recessive tendencies. But it does not provide any concrete evidence that the Administration is ready to encourage long-term economic growth actively. Mr Weeks's nudges do not involve any increase in total government expenditure, only an acceleration, while there is a growing feeling, expressed recently not only by the new left-wing Conference on Economic Progress, headed by Mr Leon Keyserling, but also by the respected National Planning Association, that a steady increase in government spending is essential if the ever-expanding labour force is to be fully employed.

Reinforcing the Reserves

THE main interest of the latest official scheme for replacing the Selective Service Act, which expires next June, lies not in the proposals for conscription—Congress is apparently to be asked to continue the present two years of compulsory military service—but in the proposals for strengthening the reserves. At present men, whether conscripts or volunteers, are supposed, on leaving the active forces, to join the reserves for long enough to make up a total of eight years of service, but this law has never been effectively applied, and the present state of the reserves is said to be "a scandal." Under the new plan men would be compelled to do their reserve, as well as their active, duty.

In discussing the scheme, Mr Hannah, the retiring Assistant Secretary of Defence, revealed that the Defence Department now expected to have a total of 3,047,000 men in the regular forces in mid-1955. This figure, to be maintained indefinitely, is 232,000 more than was estimated last year, although rather less than the number serving at present; it reflects upward adjustments following the deterioration in the Far Eastern military situation. In addition the new reserve proposals would provide another 3,055,894 men, organised and ready to be called up immediately, over half of them for the Army, should a national emergency arise.

To call up the National Guard, which at present constitutes the bulk of the Army reserves, would now take at least a year, according to Mr Hannah. The Guard is now composed of state units controlled by State Governors and the plan is apparently to give it full responsibility for training Army and Air Force reserves and in the process to bring it under federal control. But the "States' righters" in Congress will certainly have a great deal to say against this, just as the economisers will have a great deal to say against the estimated cost of the consolidated programme; it is put at $1.5 billion a year, about twice the current expenditure on the existing programmes administered separately by the various services.

In an attempt to recommend to Congress a scheme closely resembling the "universal military training" which has so often been rejected, Mr Hannah claimed that it was "geared to the day of active war with the Soviet Union." This belligerency went too far for his superior, Mr Wilson, the Secretary of Defence, who toned it down to a plan for "a strong deterrent force" available in case of attack. But Mr Wilson backed up Mr Hannah's insistence that the scheme had been accepted, in its broad outlines at least, at the highest levels of the Administration, although the White House, thinking more of political prejudices than of military necessities, is still insisting on the tentative nature of the plan, and will presumably continue to do so until the election is safely over.

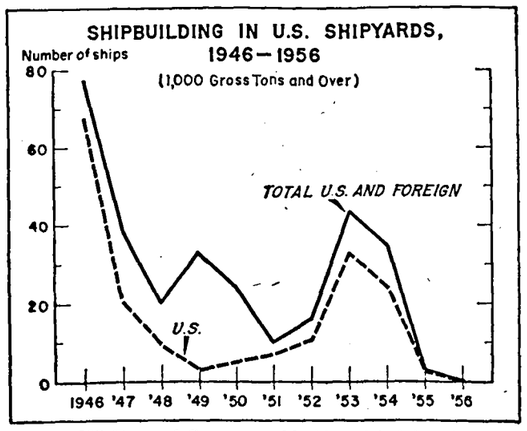
Sinking Shipyards

THE problem of keeping the shipbuilding industry afloat is an awkward one for an Administration which believes in economy and the least possible government intervention in private business. On the one hand, the retention of a core of shipyard workers is a vital defence consideration; as the chart shows, if no new orders for merchant ships were forthcoming, only three would remain to be completed next year; employment would drop to just over a thousand, compared with the 36,000 which the Department of Commerce believes is needed as a possible mobilisation base. No new orders have been received since November, 1952. On the other hand, Congress is if anything more grudging than the Administration in sending new money down the ship ways, and demand from the private shipping lines is certain to be at a low ebb for another six years at least.

This is because the bulk of the present merchant marine was built during the war years; even the lines which, as a condition of government subsidies, must replace their ships when they are twenty years old, will not be in the market for new ships until 1961 or later. Unless there is a sharp upturn in the American share of international trade, shipping companies will be anxious to hang on to their existing vessels instead of buying costly new ones. In the view of the Department of Commerce, which was asked to survey the problem when aid to shipbuilding was suspended last year, some 60 merchant ships should be built each year to maintain employment in the yards and avoid the simultaneous obsolescence of four out of five American merchant ships in ten years' time. But none of the inducements which the department is prepared to sponsor, in the way of guarantees of shipbuilding loans, or more advantageous tax and trade-in arrangements, seem likely to pursuade the shipping

companies, who are having trouble in keeping their own heads above water, to come to the aid of the yards.

The House, by passing a Bill authorising the Secretary of Commerce to guarantee mortgages on new vessels up to 90 and, in some cases, 100 per cent of their cost, showed that it does not wholly despair of stimulating private demand. But the hopes for survival of the private shipbuilding yards will depend in the immediate future on federal aid: on the $82.6 million for construction sub-



Source: US Dept. of Commerce, Maritime Administration.

sidies on new liners and various other minor programmes wrung out of a grudging House by Administration pressure; on the building of five high-speed tankers for the Navy and of fifteen others for private owners who are promised government chartering, and on the Navy's own building programme, which is being distributed so as to keep the largest number of yards afloat.

A Penny for Your Uranium

New York.

THE uranium boom on the Colorado Plateau, the 130,000 desolate square miles around the junction of the states of Utah, Colorado, Arizona and New Mexico, which in 1952 turned dusty little Mormon towns overnight into thriving mining camps, brought with it not only a rush of independent prospectors with Geiger counters, but also a rush of independent speculators in penny (one cent) shares in uranium prospects. In Salt Lake City these shares are being dealt in at a rate which has sometimes exceeded 7 million shares a day, twice the volume, although not the value, of a busy day's trading on the New York Stock Exchange.

The great bulk of these penny stocks, many of which have risen to 20 or 30 cents or even higher, are not listed but are traded over the counter to speculators and investors who as often as not know little or nothing about the company or the broker concerned, which is sometimes just as well for both of them. Even where the shares are related to a promising property, the title may be dubious and large sums are still being raised on the strength of little more than a parcel of barren land on the Plateau, and spent, not on the development of proven reserves, but merely on prospecting and drilling in the hope of finding uranium ore. If ore is found, the promoters' pickings are sweet, as in one extreme case where two million shares, bought by insiders for a cent a share, were subsequently offered to the public at $1.25 a share, bid up to $2.60, and finally settled at about $1.75.

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The Utah Securities Commission has challenged a few of the more dubious promotions, and shares issued or traded in more than one state are subject to registration with the Securities and Exchange Commission, which has already voiced its concern at the flood of new uranium stock offerings. It has now set up a branch office in Salt Lake City and can be expected to raise more frequent objections to these offerings in future. A detailed description of a company's operations is required for registration but, while the Atomic Energy Commission forbids the disclosure of information on large-scale uranium operations, security requirements, often used as an excuse, do not in fact justify small companies in keeping the public in the dark.

The uranium boom, in speculating as in prospecting, is based upon the market and prices guaranteed for uranium ore until 1962 by the AEC. Over 500 mines are now producing on the Plateau; most of them are "man and a boy" operations, but there are a dozen or so with reserves of over 100,000 tons of ore, and output is reported to be doubling every eighteen months. This government subsidised uranium fever has been caught by the large mining companies, which can afford large-scale and systematic exploration and development and have the diversified interests that the prudent investor in uranium development should take into account. For techniques, both of atomic weapon and nuclear power production, are changing too rapidly for anyone to be able to predict whether the demand for uranium will be as great as the supply once the AEC's guarantees expire. Meanwhile there is little doubt that many of the upstart uranium companies will never declare a dividend—or even find uranium.

New York's New Governor

ALTHOUGH the nominating conventions are still six weeks off, the political air in New York already has a nip of autumn keenness, at least on the Democratic side. The Republicans are still waiting for Mr Dewey to make up his mind about a fourth term as Governor. He has been letting it be known for months that he is cured of presidential ambitions and only anxious to retire to build up his own law practice, but so far he has made no public renunciation. The Republican strategists are naturally most unwilling to let Mr Dewey go. The Governorship of New York, besides being a favourite stepping stone to the Presidency which they would be reluctant to see go to a Democrat, controls great political resources which Mr Dewey used to secure President Eisenhower the Republican nomination in 1952.

But the successor whom Mr Dewey favours, Senator Ives, though less experienced, belongs to the liberal wing of the party and is also a proved vote-getter; he ran a million votes ahead of the President in New York in 1952. It may well be that Mr Dewey is holding up his own abdication in order to discourage other candidates and keep the field clear for the only other Republican he believes can win this autumn.

Senator Ives's liberal record would be an asset, for it is clear that the Democratic candidate will be of the New Deal persuasion. This is because the Democrats, to win, must roll up a big majority in New York City to cancel out the Republican lead in the rural areas and to do this they must secure the support of the Liberal party, the third group in New York politics. All the three candidates now in the running are Fair Dealers: Mr Franklin D. Roosevelt, Jr, who was first in the field; Mr Averell Harriman, who has just announced that he is available; and Mr Wagner, the Mayor of New York City, who has done no more than refrain from saying he would refuse to be drafted, but who is given an excellent chance. Mr Roosevelt has the magic of his father's name as well as great personal political charm; and he has already efficiently rounded-up 317 up-state delegates of the 510 needed to secure the nomination. But it is not only Mr Dewey, who has an understandable distaste for any Roosevelt, who feels that the son of the great President has yet to prove that he has earned the right to govern the most important state in the Union. The Democratic leaders in New York City, who really choose the candidate, are waiting for the results of a post-card poll of Democratic voters before they decide to climb on the band-wagon which Mr Roosevelt is parading so invitingly before them.

Ultra or Only Very High?

RECENT hearings before a Senate subcommittee have drawn attention to a vicious circle which is circumscribing television broadcasting. When the Federal Communications Commission resumed the licensing of television stations two years ago, after clearing up its initial confusions, it allocated to television twelve channels, with room for 617 stations, in the very high frequency (VHF) waveband and seventy channels, with room for 1,436 stations, in the ultra high frequency (UHF) band. But the hundred odd stations which had been licensed before the FCC's "freeze," and which had become well-established during it, were all in the VHF range. As a result, manufacturers were only making VHF sets; an adapter costing about $30 was needed to enable such sets to receive UHF telecasts. In addition to this, UHF reception is not very reliable and the area it covers is smaller. It is not therefore surprising that the first overwhelming demand was for the new VHF channels.

This, however, led to long delays in the granting of VHF licences, and competitors decided that the prospect of getting on the air quickly made the ultra high channels attractive. But once on the air, they found in many cases that they had no audience worth mentioning, since UHF receivers were not being bought; less than one-tenth of the 30 million television sets in use today are equipped to receive ultra high frequency signals. Since they could not guarantee an audience, the UHF stations did not appeal to the advertisers who provide the good programmes which in their turn would make UHF adapters worth buying. In particular the UHF stations had difficulty in affiliating with either of the two national networks, the Columbia Broadcasting System and the National Broadcasting Company, which distribute the most popular programmes all across the country. These networks, which accept only one affiliate each in any one place, naturally preferred very high frequency stations, which could promise both an audience and good reception.

Now that VHF stations are becoming established in all the large centres, the UHF stations are having increasing difficulty in keeping their antennae above the air waves; of the 130-odd stations which have been set up nearly half have closed down again. The survivors are appealing to Congress for help, asking for at least the removal of the excise tax on UHF sets, and at most another freeze, on VHF stations only, until UHF telecasting is equally firmly established. The ultra high frequency advocates have enlisted the god of free competition on their side, arguing that the present system is strengthening the already powerful duopoly of CBS and NBC in the television field and leaving televiewers with little or no choice of programme.

Air Conditioned America

New York.

IN the most comfortable country in the world, a new form of luxury is rapidly becoming a necessity. Air conditioning, which before the war supplied a $200 million market largely confined to factories and commercial buildings, had by 1953 become an industry with a total sales volume of $1.7 billion, nearly 25 per cent of which was for residential use. The ugly rump of a "packaged" air cooler protruding from a window sill of a block of middle class flats has become a social symbol as significant as a television aerial. One result is that the peak of electricity consumption no longer comes in January, but in July, when the air conditioners are switched on. Another is the creation of a market for warm clothes for air-conditioned occasions; experience has taught some temperance in the lowering of temperatures, but restaurants and cinemas are still sometimes too cool for the light clothing suitable for the sweltering out of doors.

There are basically five distinct types of air conditioning: the small, under two horsepower, room cooler—the window box—which sells for $200 to $400 and air conditions a single room; the larger commercial one, looking rather like a giant refrigerator, of two to fifteen horsepower, which is used in shops, restaurants, and small hotels and office buildings; the year-round residential central air conditioning system which cools a private house in summer and warms it in winter; the large tailor-made central installations for factories, large office buildings and department stores; and finally the specialised heavy duty types of air conditioning for motor cars, railway coaches, and aircraft.

Last year over a million room air conditioners were made. Since there are nearly 44 million American homes wired for electricity, and another 8 million flats, this market is clearly far from saturated. With many more firms in the market, all engaging in intensive promotional campaigns, sales of room air conditioners are expected to reach 1.5 million units a year within the next five years. Thereafter, its missionary work completed, the room cooler is expected to give way to the more comprehensive year-round central air conditioning systems, regarded by all manufacturers as the key to the greatest potential residential demand. Last



Up and up went the demand for their bottled beer. More orders to be analysed, more ledgers to be posted. In the offices of the famous brewers it was a case of "time, gentlemen, please."

Father William wanted them "cleared" fast

CHEERFUL SYMBOL of the great brewers, William Younger & Co. Ltd., Edinburgh, Father William had a problem. The country was drinking far more *bottled* beers. Orders from Customers and from their own houses poured in for the fifteen different lines of bottled ales and stouts they brew. With so many invoices to deal with, each with several lines to be posted and analysed, over and above the normal volume of Bulk Ale sales, the office departments were hard pressed to produce the up-to-the-minute sales figures the company needed.

Younger's asked Burroughs for suggestions, and after considering various other methods of handling this detailed analysis, they decided to install Burroughs Electric Duplex Calculators for the "analysis of ales and stouts" operation.

Then, seeking to speed their already mechanized Sales Ledger posting, they went to Burroughs again, and installed Burroughs High Speed Accounting Machines for *that* work also.

Result: Invoice checking, extension and analysis with the Burroughs Calculators now goes so smoothly that Younger's management can rely on comprehensive sales-figures in plenty of time to relate production to public demand. They find, too, that flexible Burroughs Accounting Machines can cope with a greatly increased volume of daily posting to "Bulk" Ledger or "Bottled" Ledger. Father William is a happy man! **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.



Seen demonstrating a Burroughs Duplex Calculator in the offices of William Younger & Co. Ltd. is Burroughs representative Mr. M. Jolly. This fast, two-answer-dials calculator is one of the machines that helped to solve the Case of the 15 Bottlenecks.

Call Burroughs *today*. Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1. Sales and Service Offices in principal cities round the world.

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year only some 50,000 of these systems were installed, but new houses, the best market for air conditioning since installation costs are lower if the system is built with the house, are still going up at the rate of over a million a year. Furthermore, of 25 million homes in the United States already equipped with central heating, over 13 million can easily be converted to central air conditioning, using the air ducts already in place.

One important reason for the slow start of the central residential systems has been the relatively high initial cost of the equipment and its installation. This may well amount to nearly 10 per cent of the cost of a $20,000 house. For this reason sales of these units have so far been largely concentrated in houses which cost at least $25,000 to build. But already, by planning in conjunction with the builders of mass-produced pre-fabricated houses, the major air conditioning manufacturers claim that central systems can be feasibly installed in houses built to sell for less than $10,000—partly because of the elimination of ventilation requirements, which air conditioning makes possible. Another problem is the relatively high operating cost of a central air conditioning system, especially the cost of water, which is used in large quantities in most systems for cooling the condenser.

But in spite of the cost, it is confidently predicted that customers will demand a central air conditioning system just as they now demand central heating. Within five years at least half of all new houses built will have these systems and the new house without air conditioning will rapidly become unsaleable. By 1963, if these hopes are fulfilled, a million residential air conditioning units a year, worth $1.5 billion or more, may be sold, in addition to room coolers. But although these residential units are expected to run a very close second, the biggest air conditioning market of all will probably remain, as at present that for the large expensive "tailor-made" central installations for factories, offices and other commercial buildings.

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In many industries, such as textiles, tobacco and printing, temperature and humidity control and the elimination of dust are essential, and air conditioning is already a commonplace. But the range of applications is widening rapidly, as the health and comfort of the worker receive greater attention in the search for high productivity. Virtually all major office buildings constructed since the war have complete air conditioning, but the market is by no means confined to new building. It is now possible, at a cost which is high but not prohibitive, to instal central systems in existing buildings. Property experts say that once the amount of air conditioned office space in any city reaches about 15 per cent of the total, as it has in New York's business district, the owners of the remaining buildings will be forced to instal air conditioning in order to maintain their rents and keep their tenants.

Because of its rapid and seemingly inexorable growth the market for air conditioning has been called "recession-proof." But even if this is so—a matter for debate—it is by no means weather proof. This year is a case in point. Manufacturers, who started the year with some 150,000 room coolers in their own and dealers' stocks (owing chiefly to difficulties in matching last year's production to the highly seasonal demand), expected 1954 to be another record breaking year and boosted their production schedules accordingly.

But in May and June sales lagged. With many more manufacturers, distributors and dealers in air conditioners in the market this year, heavy discounting and other forms of price cutting became widespread. The long-awaited heatwave arrived at last, and sales of air conditioners kept pace with the thermometer, but the relief may have arrived too late in the season to compensate fully for the disappointingly slow sales in the earlier months.

This extreme dependence of room air conditioner sales on the weather is not paralleled, either in the residential central air conditioning market, or in the large commercial and industrial installations. For the controlling factor here, at least in the case of installations in new buildings, is the pace of new housing starts and new construction, both of which have been surprisingly well maintained this year, in spite of the decline in industrial production. But if the business readjustment had been accelerated by a decline in construction—instead of offset by an increase—the sales of the entire air conditioning industry over the year might have been found to be less recession-proof than is commonly supposed. Nevertheless, the secular growth of the air conditioning industry is not in question. Americans born in 1960 will go from womb to tomb in an air conditioned room.

SHORTER NOTES

A plea from the President has induced the House and Senate conferees on the foreign aid authorisation Bill to restore half the cut made by the Senate which, contrary to custom, has this year been in a more niggardly mood than the House of Representatives. The authorisation for the current fiscal year now stands at $3,055 million, nearly $400 million less than the President first requested. As *The Economist* goes to press, the conference Bill has still to be approved and the Senate has still to appropriate funds; the House has already appropriated only $2,896 million in new money for this year.

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In the rush to adjourn, neither House nor Senate is in any mood to reject the compromises reached by their conferees on the important bills which have been passed in different forms by the two chambers. There was argument over the final versions of both the Tax and the Housing Bills, over the tax reliefs on dividend income in the one, and over the public housing provisions, or rather over their virtual absence, in the other, but both have now been sent to the President in a form that he is prepared to accept even though he has not got all he asked for.

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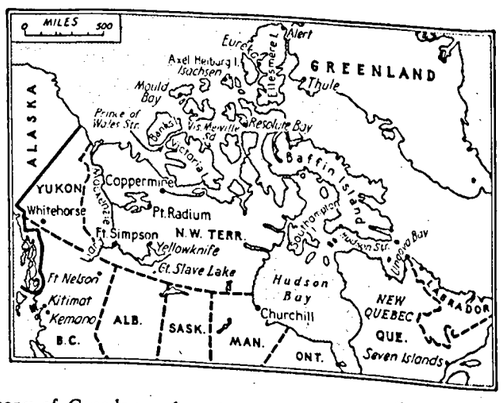
In spite of the Federal Trade Commission's report that speculation, restrictions and irregularities in the coffee market, rather than an actual shortage of coffee, caused the sharp price rises last winter, it is unlikely that Congress will find time this session to impose federal regulations on coffee trading on the New York Coffee and Sugar Exchange.

The World Overseas

Royal Tour of the Canadian North

FROM OUR OTTAWA CORRESPONDENT

THE Duke of Edinburgh's tour of Canada not only sets a new pattern in royal journeys; it also draws fresh attention to the problems and the possibilities of that vast area known vaguely as the Canadian North. The greater part of the Duke's 8,000 miles of flying actually takes him over a rather uniform kind of country. Most of the way he is following the huge V of the Canadian Shield which stretches up both sides of Hudson Bay with its angle just touching the St. Lawrence River south of Ottawa. The Canadian Shield presents from the air a characteristic panorama of bare, eroded rock interspersed with swamps (muskeg). In some areas it is heavily wooded, but not with big trees. In the Northwest Territories, between Port Radium, Yellowknife and Churchill, the Duke will be getting near the tree-line which marks the edge of the true barrenlands; and there he will see nothing but scruffy and occasional tree growth. But if the Canadian Shield lacks scenic variety, it is the formation most favourable to mineral deposits; and new mining holds the immediate key to northern development.



At the two ends of Canada the Duke of Edinburgh will visit the latest and most important of the new developments in the Canadian North. In northern British Columbia he is visiting the Kitimat-Kemano aluminium plant of the Aluminium Company of Canada; and at the end of his trip he will see the iron-ore pits and new railway and loading facilities in New Quebec, from which the first ore shipment has just been dispatched. Both these developments have cost hundreds of millions of private capital to construct. Everything is expensive in the North. All man's requirements from razor blades to bulldozers have to be brought in. In New Quebec and Labrador the railway to the ore deposits was virtually built by air; air strips were established along its length, through which a private fleet of aircraft poured in the men and equipment needed for the ground work. In the aluminium development in British Columbia, the power line from Kemano to Kitimat could be built only by a fleet of helicopters.

Once having got into the north an important factor in deciding for or against development is the cost of transportation out again. Kitimat is only possible because bauxite ore or alumina can be brought in by cheap ocean steamers and the aluminium ingot can be shipped out the same way. The Quebec-Labrador iron-ore exploitation is possible only because cheap water transportation is available from the terminus of the new railway at Seven Islands; and it has always been a condition of this development that production cannot reach anything like full capacity until the St. Lawrence Seaway provides an adequate through water route to the inland steel empire with its ports on Lake Erie.

Economic transportation always and everywhere depends on the markets to be served. The Quebec-Labrador ore is assured of continuing and growing markets in the American steel industry, which is a partner in the development. The full development of the Kitimat aluminium plant remains less certain, and the full potential of which it is capable will not be reached until it is known whether the United States will limit the relatively high-cost expansion of its own industry in favour of cheaper Canadian supplies.

The course of the world's metal market is, therefore, probably the greatest single determinant of the pace of development in the Canadian North. At the northern end of the Labrador Trough, for example, just a few hundred miles north of the present iron-ore workings, promising metal finds are being examined; and they could be shipped out from Ungava Bay, to the south of Hudson Strait. On the south shore of Great Slave Lake, just across from the gold-mining town of Yellowknife which the Duke will visit, are deposits of lead and zinc ores now believed to be so large and so easily mined that it is probably only a matter of time before it is worthwhile to build a railway in order to bring them out. But in the present state of the market for lead and zinc, who would dream of trying to tap such remote supplies?

Many people have been unwilling to think that the future of the North must depend mainly on activities as local and as temporary (on a long view) as mines. But over the greatest part of this territory agriculture is not feasible. At Fort Simpson, where the Liard River joins the Mackenzie River, the Duke of Edinburgh will see what is probably the best agricultural land in the Northwest Territories. Here the soil is reasonably good and the long hours of daylight tend to make up for the very short season. Some crops produce abundantly because of very quick growth. Wherever such conditions allow even a limited scale of market gardening, it can be a great boon to a northern community. But there is no basis for land settlement. In the near future it is the search for minerals which offers the major hope of settlement, and that on a limited, local scale.

The attempt to improve the status of the indigenous population is now beginning. At Coppermine, a tiny settlement on the shores of Coronation Gulf, the Duke of Edinburgh will visit an Eskimo home. Leading local residents, including Eskimos, will be presented to him, and he will see an exhibition of Eskimo handicrafts at the little government school. Until lately the education of Eskimos has been largely in the hands of the missions (chiefly Anglican and Roman Catholic) who have operated with government assistance. Now the Government is taking a rather more positive part. Gradually, and as local conditions permit, attempts are being made to improve the education of the Eskimo, particularly on the technical side, and to find more satisfactory and permanent pursuits for those who are now finding hunting and trapping increasingly unsatisfactory. In northern Ungava, for example, consideration is being given to the possibility of establishing farms—with yaks to replace the diminishing caribou, possibly with eider-duck, on the pattern of Iceland's successful industry.

The new concern of both Canada and the United States with the defence of the transarctic bomber routes is tending to force the pace throughout the North. At present the early warning network is being extended one stage further north, with the adoption of the Canadian device known as the McGill Fence. When that is finished there will certainly be pressure for a further step outwards towards the Arctic Coast. But it is still by no means certain that a string of northern bases must follow the radar networks. The protection of emptiness—what Mr Pearson once called the "scorched ice" policy—still has influential supporters. It is however not defence but weather that has taken white settlement furthest north.

To Alert and Eureka

The four joint weather stations—and that is all they are—established by Canada and the United States in the Arctic Islands are served principally from Resolute Bay on Cornwallis Island, which is the central station and the most accessible. The Royal Canadian Air Force keeps a detachment there to maintain the airfield and look after incoming aircraft. Once a year a convoy of ships goes in with heavy supplies. Until this year the annual sea supply mission was conducted by the United States because Canada did not have enough ships. This year Canada is carrying it out for the first time. With two new icebreakers—one of them, the *d'Iberville*, which attended the Coronation Review at Spithead last year—two chartered merchant ships are now heading north. One of them is a tanker; the other carries heavy dry cargo for the weather stations and other northern posts. From Resolute the *d'Iberville* will go on alone to try to reach Eureka, another of the weather stations. The most northerly of all, Alert, on the farthest tip of Ellesmere Island, will be supplied, if conditions permit, from the big American base at Thule in Greenland. The other two—Isachsen and Mould Bay—have to depend entirely on supplies delivered by air.

There is disappointment in some quarters that the Duke of Edinburgh's tour is not taking him into the far north of the islands. The supply convoy should be reaching Resolute just about the time he is in the Northwest Territories. It would have been pleasant if he could have welcomed it there, to set the crown on a new Canadian achievement. He would have visited the lands so recently named the Queen Elizabeth Islands, and he could have flown over Prince Charles Island, which was discovered only in recent years off the west coast of Baffinland. But as it is, the Duke will see far more of the Canadian North than most Canadians ever hope to see, and he will take in the newest and most dramatic projects which most clearly establish that the riches of the North are no myth. Untold quantities of minerals are waiting for the day when the world needs them badly enough to justify the new adventurers going in to get them.

The Canadian North

The mainland of Canada north of the 60th Parallel and the Arctic Islands is comprised of the Northwest Territories and the Yukon, for which the Federal Government is responsible. The Yukon Territory in the extreme north-west, bordering Alaska, consists of 207,000 square miles; and the Northwest Territories of 1,305,000 square miles. The population (1951 census) was 9,000 in the Yukon, of whom 1,500 were Indians; and 16,000 in the NWT, which included 3,800 Indians and 6,800 Eskimo. The Eskimo population is now believed to be nearly 9,000.

Mineral output from the NWT and the Yukon last year amounted to about $25 million; this was 25 per cent higher than in 1952 and 700 per cent higher than in 1946. The fur crop was worth more than $1 million; and the Great Slave Lake fishery is valued at more than $2 million annually.

Yukon has a fully elected Legislative Council; the Northwest Territories Council has four elected and four appointed members. The Commissioner of both territories is an official appointed by the Federal Government, which bears most of the costs of administration, and retains responsibility for it.

Personalities in Tunis

"THE next step lies with the Tunisians." What M. Mendès-France meant when he said this before he left Tunisia was that it is now up to the Bey and the Tunisian *élite* to form a cabinet capable of filling in the blanks in the pattern he outlined. It will be that cabinet's job to devise, with Frenchmen still at their elbow, projects for internal autonomy, including an elected assembly, and conventions whereby Frenchmen may continue to serve and live in Tunisia with confidence and in security. Tunisian nationalists of all classes are responding to the challenge thanks to their relative unity of outlook. The Bey has charged a wealthy landowner named Tahar Ben Ammar with the task of forming a ministry, and the Néo-Destour

party has agreed to occupy four seats in it; French officials are to retain the directorates of finance, public works, education and posts till the agreements finally defining home rule are signed; the cabinet will also contain five Tunisian moderates. From right to left, all see virtue in working with France now that certain inacceptable claims hitherto made by the French settlers are ruled out.

The attitude of conservative circles was always known to be favourable to co-operation with France; that of some of the firebrands who belong to the Néo-Destour was more open to question. But it was shown to be much the same when M. Bourguiba, the party leader in exile, recommended calling off terrorism in response to M. Mendès-France's gesture; perhaps an even better testimony to it is to be found in two recent news items from Cairo. Even before the latest events, the Néo-Destour was the target of attack by Egypt's Moslem Brotherhood for "sacrificing the ultimate aims of true nationalism by becoming a servant of imperialism." And, only two days before M. Mendès-France took his decision, the mouthpiece of the Néo-Destourien office in Cairo, which has been manned by exiles and was a hotbed of discontent with Paris, told a French newspaper correspondent that though the party all but despaired of bringing France to terms by any means short of violence, it still favoured a future based on the intimate relationship laid down in the protectorate treaty signed in 1881.

From Right to Left

In a word, the gap between the dissident in exile, and the stately stay-at-home who fears the all-or-nothing doctrines of the Arab League extremist, is narrow despite the wide range of backgrounds from which they come. These run from comfortable palaces belonging to the Beylical circle on the right, to needy homes of trade union members on the left; yet education has already gone some way towards bridging the gulf between them. The former have always found France an acceptable bulwark for their conservatism, yet even they have lately had glimpses of a stormier world; the Bey's eldest son, Prince Chadly, and even one of the princesses, are active supporters of the Néo-Destour. Next in the hierarchy come rich landed families such as that of the new Prime Minister; yet he, though a man of 69 and a confirmed Francophile, enjoys the confidence of Néo-Destouriens, thanks to spirited passages with the French in the past and to the fact that younger generations of his family have close ties with the party. A third important class consists of practising professional men—doctors like Dr Materi, lawyers like M. Hedi Nouira—who provide within or on the fringe of the party the practical experience that could serve as the backbone of successful government in the early stages of home rule. Next come the firebrands of the movement—men with more experience of exile than of work at home such as Habib Bourguiba himself and, in a younger generation, his lieutenant Mongi Slim, and Salah Ben Youssef, who was the mainspring of Tunisia's appeal to the United Nations. Still farther to the left are the trade unionists, many of them self-made on a French and anti-Communist model, of whom the most remarkable was Ferhat Hached, murdered in unexplained circumstances in 1952.

For a generation after the protectorate treaty, the relationship between France and Tunisia was a synonym for the relationship with the Bey, but as the years have gone by these less exalted groups of opinion have counted for more and more. What remains to be seen is whether, once autonomy is safely secured, some of them will hunger for the luxury of opposition and either advocate even more tenuous links with France or else begin to condemn their Beylical system as outdated. Some of them refer to the current changes on offer only as a "first step." Whether they find full scope for their energies once that step is taken, or whether they one day aspire to out-shout the large majority of educated Tunisians who see the advantages of the link with France, depends as much upon the behaviour of the local French residents during this transition period as on any other factor. The overriding factor is, of course, that they do not topple M. Mendès-France before he has time to give effect to his plan.

Changing Patterns of East-West Trade

THE *Economic Bulletin for Europe*, issued last week by the Economic Commission for Europe, makes the most that can be made of the modest increase in east-west trade since mid-1953. It is as optimistic as its stern statistical conscience will permit about the future, but the main conclusions that emerge from the tables and wealth of factual material give only cold comfort to those who have pinned their hopes on an expansion of trade between East and West. In 1953 exports (fob) to Eastern Europe by 18 West European countries (including Britain) amounted to only $789 million and imports (cif) from Eastern Europe to only $918 million. Furthermore, about 20 per cent of the total trade between East and West was accounted for by the special case of Finland. Although, as the *Bulletin* points out, the second half of 1953 was distinctly better than the first half, the yearly figures for 1953 were much the same as for 1952 (somewhat higher by volume, a little lower by value). It would seem premature to put much faith in the new "trend," especially as the information available shows another dip in the first quarter of 1954.

SHARE OF EASTERN EUROPE IN TOTAL EXPORTS OF SELECTED COMMODITIES

Percentages based on quantities, unless otherwise indicated.

Exporting country	Commodity and its share in country's total exports*	1952	1953	1954†
Denmark	Butter (15)	5	7	20
	Beef (7)	2	8	25
Netherlands	Butter (3)	5	34	30
Norway	Fish (excluding canned)‡ (11)	11	13	16
Iceland	Fish (77)	6	26	40
Greece	Tobacco (43)	—	4	8
Turkey	Cotton (20)	15	15	29

Sources: Commodity Trade Statistics, Statistical Papers, Series D, United Nations, and national trade statistics.
* Figures in parentheses indicate the share of the commodity in the country's total exports to all destinations in 1953.
† Most recent data available: Denmark: January-13 June; Netherlands: January-April; Norway: January-March; Iceland: January-April; Greece and Turkey: January-February.
‡ Calculated on the basis of export values.

On the basis of information contained in an impressive array of bilateral trade agreements and on what the *Bulletin* calls "the moderate improvement of the climate for the expansion of east-west trade," the ECE secretariat has estimated that trade in 1954 will be "well above" the 1953 level and that exports from Eastern Europe might reasonably be expected to be about a quarter higher (by volume) than in 1953. As the *Bulletin* is the first to recognise, trade agreements are unreliable guides to the actual trade that will take place and these estimates are probably as optimistic as any that can sensibly be made.

Is it Accident or Design?

Three interesting sidelights on the changing character of east-west trade emerge from the ECE material. First, of the three largest traditional exports from Eastern Europe—coal, grain and timber—the first two appear to be heading for a fairly steady decline. Although substantial increases in timber exports, shipments of petroleum from Rumania and the Soviet Union, and the unusual Soviet gold shipments enabled the average for last year to approximate to that of the previous year, the prospect of large exports of coal and grain remains dim. Secondly, the increase in trade on the eastern side—indeed, the fluctuations in trade generally—have been almost exclusively concentrated on the USSR. As the *Bulletin* points out, "for the other East European countries, taken as a group, the picture is one of stagnation up to and including the first quarter of 1954." Is this difference in development due to accident or design?

A third, and somewhat disturbing point, that can be gleaned from the factual material presented is the evidence of the growing dependence of a number of the smaller West European countries on East European markets. Finland is the most dramatic example of a Western country which has become heavily dependent on trade with the East. Although the situation elsewhere is not comparable, patterns which will be worth watching seem to be emerging. As the table, which is taken from the *Bulletin*, shows, Eastern Europe is steadily becoming an attractive outlet for commodities of particular domestic importance to individual Western countries. It is clearly desirable to open up new markets and expand old ones in Eastern Europe, but it would be a mistake to think that in the Russian mind trade is ever really divorced from political objectives.

Australian Oil Boom

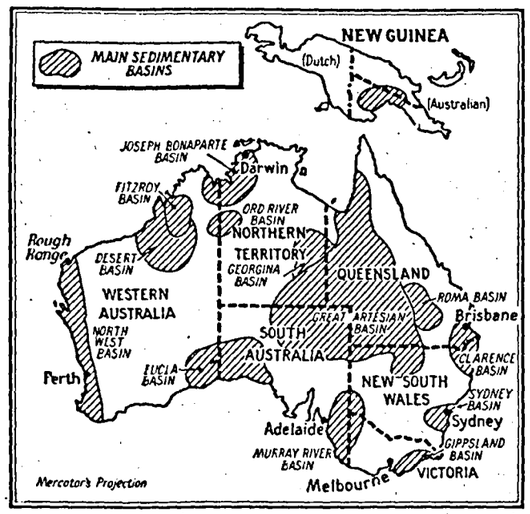
FROM A CORRESPONDENT IN SYDNEY

THE new oil boom in Australia has been capitalised thus far at more than £200 million by enthusiastic Australian investors, many of them complete strangers to the stock exchange. The boom is regarded by some observers, especially those on the inside of the oil business, as the "biggest thing" in Australia since the coming of the merino sheep; and on this belief centre the hopes and fears of those fairly numerous Australian and less numerous overseas companies which are financially committed for good or ill.

As the rate of investment rises higher and higher, prudent souls are beginning to point out that, at present prices, much of the possible future prosperity is already being paid for, especially when looked at from the income return angle. For example, it has been pointed out that on the assumption that the market would require, say, a 10 per cent return from a producing oil stock, then a dividend of 230 per cent or 11s. 6d. a share, would have to be paid by Ampol Exploration Limited, the top oil company which made the historic first strike, in order to justify its recent closing price of £5 15s. This rate of dividend would involve an annual dividend commitment of £23 million, a high figure in relation to Australia's present oil imports of £70 million-odd a year. In other words, the present oil boom is strictly a speculator's affair, some say, a speculator's paradise.

It is indeed a fact that any speculator who bought 1,000 Ampol shares just a year ago, costing £375 (including £125 in subsequent calls paid on a new issue) could have sold out on recent prices with a profit of £11,000. For the people who "work the big time," in the American idiom, this, no doubt, is very small potatoes. But to the modest investor, the man whose income is no more than £1,000 a year, it represents the full fruit of 11 years' work, and what is more, it remains entirely tax free. This kind of thing explains the public rush in the Australian oil boom, perhaps one of the most democratic operations ever seen in Australian financial history.

The spirit of optimism that pervades the market seems perennial. Investors seem quite unconcerned, for example, that Ampol's very extensive search area in Western Australia,



covering some 330,000 square miles (the area of France and Italy combined) must come up for renewal by the state government in October. What the financial effect of this reshuffle will be, with so many companies anxious for drilling rights in the Ampol area, is, at this stage, anybody's guess. On the other hand, the Ampol group has submitted its drilling programme for next year to the state government and the Minister for Mines has reported that the programme "would fully satisfy the requirements of his department." This might mean that Ampol will be allowed to hold its present massive search area, which covers some of the most geologically promising country in the entire state. Mr W. G. Walkley, Ampol's managing director, recently announced that his company would spend £2.7 million this year on drilling five exploratory and six developmental (producing)

wells. He also said that if progress matched his expectations, the company should expect to spend £20 million in the region over the next two or three years. He was careful, however, to emphasise that this was a purely personal estimate.

Prospects in New Guinea

But if Australia does in fact possess rich oil resources, estimates to this tune, however personal, raise the question of whether the country could find within its own borders all the capital required for full-scale development. Nobody holds out hope that it could. Dr H. G. Raggart, Secretary of the Department of National Development and a geologist who is regarded as a key figure in pinpointing Australia's present commercial oil-bearing region, recently declared that the "capital available in Australia would hardly be enough to find oil, let alone produce it." He pointed out that although there were good oil prospects in Australian New Guinea, the companies prospecting there had already spent £12 million without finding any oil, and he estimated the total expenditure on oil search in both Australia and New Guinea at between £20 and £25 million. But this sum seems modest indeed when compared with the £70 million-odd in foreign exchange, much of it scarce dollar exchange, that Australia spends annually on oil imports.

As to the New Guinea field, there have been periodic oil and gas showings in the lower Vailala River which encouraged exploration in Kariava, Upoia, Oroi and Hohoro areas. Drilling in these places, however, yielded no commercial results and a move was made to the present drilling site at Omati near the Turama River where at present two exploratory wells are in hand. The company (Oil Search Limited) has reported very minor impregnations of oil in various limestone strata. These signs were, however, evidently considered sufficient to suggest the presence of oil in commercial quantity and drilling continues. The market valuation on the prospective New Guinea field is £134 million. But here again a 10 per cent yield over 10 years would call for a minimum net profit of £13.4 million a year.

Where Speculators Thrive

Dr Raggart believes that New Guinea possibly offers greater prospects of oil in commercial quantities than does Australia. His opinion is reinforced by the valuable oilfields discovered by the Dutch in the Vogelkopf or Berau Peninsula in adjacent Dutch New Guinea. These fields have been in commercial operation for several years and are being steadily expanded. About seven holes have so far been drilled in Australian New Guinea to an average depth of 9,000 feet. There is, however, some comfort for the drillers in the knowledge that they can recoup exploration costs from income which remains tax free until the amount expended has been recovered. But first they must discover oil and bring the field into production.

For those Australians who have not yet taken the plunge in oil investment, a fairly dazzling array of share offerings is presented by the mushrooming oil search companies. There are no fewer than 30 massive claims pegged out across the face of this southern continent, on which government oil search permits have been granted. Scarcely a month goes by without some new oil search enterprise being rumoured or actually floated off. The launching ceremonies, represented by formal stock exchange listing at the "oil post," produce a flurry of excitement reminiscent of those not-so-distant days when the first Australian explorers set out on their daring journeys into the immensity and mystery of an unknown continent. Where the limits of that immensity extend to is no longer unknown. But where oil lies within it remains largely a mystery; and on that many speculators thrive.

Indians Share the Land

FROM OUR BOMBAY CORRESPONDENT

A PEACEFUL revolution is unfolding in India, Gandhian style; it is called Bhoodan. Acharya Vinoba Bhave, Gandhi's favourite disciple, started a voluntary gift of land movement on April 18, 1951, in the hope of defeating Communism in a land hungry countryside. The landless depend on their better-off neighbours for their livelihood. Nowhere are they in a majority, but their poverty is tinder to Communist propaganda; they rarely earn enough to get a square meal a day. Mr Bhave began his Bhoodan movement after a visit to the guerrilla-torn districts of Hyderabad where the army was meeting Communist terror with government heavy handedness. There, in some pockets where the Communists ruled, they had even distributed a few thousand acres of land to the landless and they were killing many informers and landlords. The villages were too scared to co-operate with the government. Mr Bhave was so struck by the pent up hates and fears that he decided to fight the Communists with "love."

He has announced formally that he will collect land gifts to the tune of 50 million acres—an area bigger than England and one-sixth of India's cultivable land—for its 60 million landless. The time limit he has set himself is the end of 1957. It was a proud target; people smiled at this blue-eyed Gandhian optimism. But now, after little more than three years of campaigning, Mr Bhave has received so many acres that in a number of states legislation has had to be passed to expedite the transfer of land. So far he has collected over 3,400,000 acres from over 300,000 donors; and perhaps some 80,000 acres have already been distributed to 20,000 families.

Daily Gifts to Mr Bhave

This is how it is done. Mr Bhave goes to a village, always on foot, and tells the assembled peasants of the horrors of Communist methods. All men are brothers and land, like air, belongs to everyone according to his needs. He warns the landlords that the choice for them is between Bhoodan and revolution. He tells the landless that they must cast away hate and love their benefactors. Whether it is love or fear, it works. Every day Mr Bhave gets more land with less effort. At first he was getting a couple of acres a day; two years ago 200; last year 1,000; two months ago 4,000 and today he is getting as much as 3,500 acres a day. This Bhoodan land comes from small and large holders alike: some give 10,000 acres, others 1/50th of an acre, men who only have one acre give it all and Mr Bhave takes everything from everybody because of the "moral pressure to give" that this creates. Many a rich man has taken the hint. The Raja of Ramgarh and the Maharajah of

Darbhanga between them have given 500,000 acres. The Maharajah of Darbhanga did not stop there; he also gave the monetary compensation that the government of Bihar was going to pay him for resuming his estate and stipulated that the money should be used to help settle the landless by providing them with agricultural implements.

The States Take a Hand

The states of Madras and Andhra have also been giving land on Bhoodan lines themselves. Andhra recently gave 500,000 acres to its four million landless and Madras has just given 95,000 acres. The reason for the action of the Andhra government is political; it has more Communists than any other Indian state. In an Assembly of 130 the Communists have 40 seats (as many as the Congress); there are 18 fellow travellers as well as 16 anti-Communist independent leftists. The Communists stand a fair chance of winning the next election unless something drastic is done to win over votes. Madras, too, has its Communists.

Bhoodan procedure is simple. The donor signs or affixes his thumbmark in the presence of two witnesses on a printed gift form in which the survey number of the land is entered. This form is a legal document and the land becomes automatically "Bhoodan land." After the land has been surveyed—which sometimes takes time and this delay explains the difference between the number of acres received and distributed—the village itself decides which landless family needs land most, in a joint session between the villagers, the Bhoodan workers, and the Revenue Officer who has to enter the name of the new owner in the Record of Rights. If there is not enough land to go round lots are drawn and those left out have prior claim for the next distribution. Bhoodan land is land in trust; it can neither be sold nor rented, neither mortgaged nor left fallow. If the new owner makes bad use of it it is resumed in the pool of land for distribution.

Single-Handed Mission

Bhoodan is a striking example of the advantages of private enterprise. Mr Bhave, single handed, has done more than all the State governments to get land for the landless, and he has done it without red tape. But there are snags to Bhoodan. It reduces the size of holdings which in India are already too small—an average of three wet or five dry acres for a family of five. It also gives land to men with neither capital nor education. But these inconveniences are more than balanced by the benefit of political stability. Already at the 1951 census, 60 per cent of India's rural population returned itself as landowning, even if only of a quarter of a field. Now the percentage will be increased still further. In terms of production the effects of Bhoodan are not as unfortunate as one might fear, because the agricultural extension schemes and the community projects will bring skill, seeds and credit to the villages; and a man's willingness to learn and toil is naturally greater if he has land of his own.

Bhoodan, however, rests so far upon the frail shoulders of a sickly man of 59. His lieutenant, Mr Jai Prakash Narain, the Socialist leader, may yet grow into as effective a land collector, but his pragmatic and economic appeal is bound to be less compelling than the religious and emotional appeal of Acharya Vinoba Bhave, who is in the traditions of a St Francis of Assisi or a Saint Vincent de Paul.

Headaches for Danish Socialists

FROM OUR CORRESPONDENT IN COPENHAGEN

TWO members of Denmark's Social Democrat government belong to the "million-headed Hansen family"—the Foreign Minister, Hr H. C. Hansen, who has been acting Prime Minister in Hr Hedtoft's absence abroad, and Hr Rasmus Hansen, the Defence Minister. Both have lately been troubled by a set of distinct but related problems: the breakdown of trade talks with Russia, the reduction of Denmark's terms of military service, and something very near to a major economic crisis.

The economic difficulties this summer apparently took the government by surprise. Denmark's foreign exchange reserves, which were already low at 251 million kroner in March, had dwindled by July to a mere 23 million (little over £1 million). To the charge that the country was clearly living beyond its means, Social Democrat leaders replied that rising world prices had induced farmers and industrialists to build up stocks, and that a dramatic increase in exports in the second half of 1954 could be expected. The Minister of Economics, Hr Krag, pointed out that in the first half of the year exports had earned Kr 150 million more than in the same months of 1953, but he had to admit that imports had likewise risen by Kr 295 million. Opposition spokesmen talked bluntly about a spending spree; under socialist rule, they claimed, imports of cars and non-essentials had soared, and consumption would increase still further when the effects of recent wage increases were felt. In June the bank rate, which had been lowered when Hr Hedtoft took office, was raised from 4½ to 5½ per cent. Rumours that the krone would be devalued called forth a categorial denial by the Prime Minister, who had interrupted his holiday to grapple with the problem; Hr Hedtoft also denied that new import restrictions were contemplated. But the government, forced to retrench urgently, has been seeking victims. Public building will be cut, although schools and hospitals are temporarily reprieved; purchases of American cars are to be held down by raising the dollar premium rate, and a new premium bond loan will be floated shortly.

Back from Paris and Moscow

Sizeable cuts in defence spending are also on the agenda. To many Danish Social Democrats, a reduction in military service is a more welcome thought than economies on welfare services. Hr Rasmus Hansen, who has already been under fire this year owing to shortcomings in the air force and in radar defences, has had the thankless task of approaching Nato with a proposal that the national service period of 18 months should be cut to 16 months, with two subsequent months of refresher training. (Only the Communists and neutralist Radicals favour a straight cut.) On Tuesday, after the Defence Minister's return from Paris, the government decided to put forward a plan on this basis. The opposition press, however, is already accusing the government of using the question of conscription as a red herring and of sheltering behind Nato's skirts.

In the middle of these acrimonious exchanges came the Foreign Minister's announcement that the trade talks with Russia had broken down. The Danes had set high hopes on these negotiations, and a strong team headed by Hr

Krag had been in Moscow since early June. A draft agreement which would have doubled Danish-Soviet trade, and strengthened Denmark's hand in the annual tug of war with Britain over butter and bacon, came to grief when the Russians insisted that it must include the delivery of two oil tankers, which are on the western nations' embargo list. (It may be remembered that Danish-built tankers had previously been sold to Russia; but they had been ordered and partly paid for before the strategic controls came into effect.) The Russians rejected a Danish counter-proposal which offered refrigerated ships and trawlers.

The government's action in breaking off the talks once it was clear that the Russians made the whole deal dependent on embargoed items has been endorsed by the shipbuilders, whose order books are full for the next 18 to 24 months, and by the metalworkers' union, some of whose members are Communists. Full credit must be given for this sturdy decision, taken against such a threatening economic background. But, if Denmark is both to regain economic stability and play its full part in Nato, more sweeping measures may be required than the present government is prepared to take. It is possible that the Social Democrats, confronted by the uncongenial necessity of further reducing expenditure, would be happier to retire into opposition.

American Bases in Spain

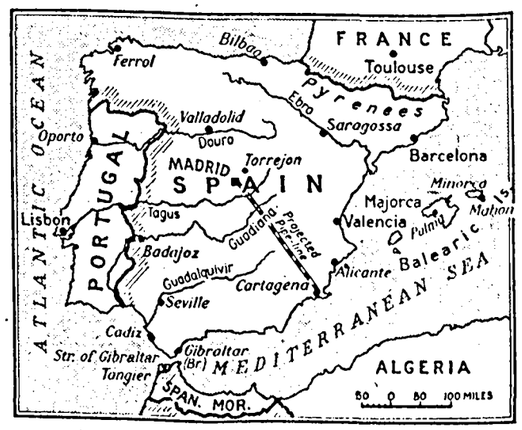
WASHINGTON and Madrid have now concluded an agreement covering credits and contracts for offshore purchases in Spain. This should break the log-jam and get the construction of American air and naval bases under way. Up to the present, the only tangible result of the Washington-Madrid pact signed in September, 1953, has been the presence of American instructors at a jet training school near Badajoz, and the dispatch to the United States of some fifty Spanish air cadets.

Spain has been allocated $85 million in "defence support aid" and a supplementary agreement provides for the expenditure of 3.5 billion pesetas in counterpart funds. Some $19 million have been earmarked for the expansion of the naval bases at Cartagena, Cadiz and Palma de Mallorca. The American air bases are to be located at Torrejon near Madrid, et El Copero and Moron outside Seville, and at Saragossa. There are plans, moreover, to build a pipeline between Torrejon and Cartagena with its important Escombras refinery. The Pentagon hopes that a good part of the counterpart funds will be used to improve Spain's road and communication systems.

How the Dollars are Spent

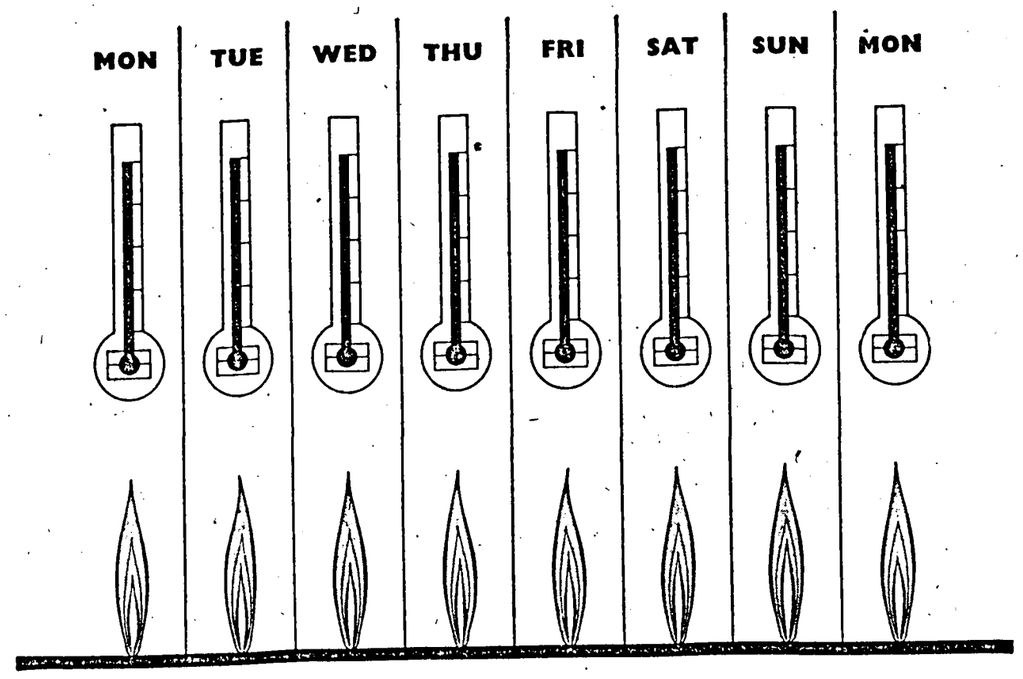
A number of factors had, up to now, been delaying this whole programme. It turned out that many of the Spanish firms interested in American contracts were in no position to fulfil them. Their intention had been to issue subcontracts to German firms and the latter were asking for part-payment in American food surpluses initially intended for Spain. The new agreement is designed to prevent such arrangements. Tenders will be accepted only from *bona fide* Spanish concerns who are proposing to carry out their work with Spanish labour and under Spanish management. Bids must be backed by a bank guarantee of 30 million pesetas to ensure that contracts will be completed according to specification.

The programme of American construction and investment in Spain is being run under a complex "infrastructure" consisting of the Joint US Military Group (JUSMG) and the Military Assistance Advisory Group (MAAG). By June 30th of this year Spain had received some $140 million in direct military aid. Most of it has been devoted to the mechanisation of General Franco's army and to the purchase of heavy artillery and radar equipment. The visit to Washington of Major-General Lorgoria, Chief of Staff of the Spanish Air Force, is taken to mean that Spain is asking for jet fighters. The Pentagon, however, would prefer to see Spanish land forces built up while American units provided for Spain's security in the air and on the sea. It is becoming increasingly clear, moreover, that the major strategic result of the Washington-Madrid pact is the acquisition for the American Mediterranean fleet of relatively secure harbours. These will enjoy air cover from the bases in Spain and from the air-strips in Morocco.



But although work is about to begin at Torrejon, major problems remain unsolved. The Spanish economy is in such a weak condition that the materials and labour needed for American projects will be severely missed in other sectors. Already there have been sharp spurts in the price of construction materials followed by artificial scarcities. The release of the 3.5 billion pesetas in counterpart funds, moreover, has meant an increase in fiduciary circulation equivalent to nearly 15 per cent of the Spanish budget. All signs point to inflation and it is doubtful whether, in the long run, air bases are a net gain for a country urgently in need of schools, hospitals, roads and modern factories.

Finally, there is the delicate question of diplomatic timing. The whole Washington-Madrid arrangement has been a fine propaganda weapon in the Communist and neutralist arsenal. At a time when fears of a Washington-Bonn "line-up" are stiffening France's opposition to EDC and are increasing anti-Americanism amongst European liberals, the implementation of the alliance with General Franco will strike a sour note. Is the Pentagon's decision to push ahead with the construction of Spanish bases part of a new appraisal of "peripheral defence" plans? The whole problem will bear watching, if only because the staunchest supporters of the Washington-Madrid *entente* in the Senate also happen to be the leaders of a new brand of isolationism.



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THE BUSINESS WORLD

Iranian Oil Agreement

AFTER negotiations in London and Teheran lasting eight months, the heads of an agreement have been reached between the Iranian Government, the National Iranian Oil Company (which took over the oil industry in Iran when it was nationalised), and the representatives of a consortium of eight oil companies on restoring the flow of Iranian oil, crude and refined, into the world markets. This achievement was celebrated on Thursday by an international *feu de joie*—three statements from Teheran, two from Washington (giving the blessing of the President and the Secretary of State) and two in London. There are as many angles to this agreement in escrow as there are in a polyhedron—and they vary for all the countries and all the companies that are involved in it. But every person of goodwill in the Western and Middle Eastern worlds must sigh with relief that ways appear to have been found to end the nonsense and waste that have afflicted Iran and the Anglo-Iranian Oil Company since the oil industry in Iran was nationalised three years ago. There are no triumphs in the agreement for either side. Iran admits eight members of the international oil industry to work the oilfields and refineries that it could not run itself, and has lost three years' revenues from oil. The consortium of oil companies has bargained hard, among its own members as well as with the Iranians. The Anglo-Iranian Company, dispossessed in 1951, is, to outward appearance, poorly compensated by the Iranian Government for its refineries and installations and will only have a two-fifths share in future operations—though outward appearances are indeed deceptive on both points.

The main outlines of the agreement had been accurately heralded by reports from Teheran during the last month. Two basic sets of negotiations have been concluded. The first, between the British and Iranian Governments, was concerned with compensation for Anglo-Iranian's installations. The agreed figure of £25 million, in ten instalments beginning in 1957, bears no relation to the value of the company's total assets in Iran; it is best regarded as payment for the West Iran Oilfields, and for the oil retailing system that Iran is now to own and run. Mr Eden explained in March that the other members of the consortium would buy their way into the partnership in South Iran and Anglo-Iranian will receive from them payment for the 60 per cent interest that they acquire there. The fact that Anglo-Iranian's statement on Thursday put no figure on the value of this payment will no doubt disappoint many bulls of Anglo-Iranian shares, who had supposed that the company would be receiving forthwith a sum exceeding £100 million from the other partners, and would lose no time in distributing it. What happens, after these payments are agreed, if they are made as annuities? Will AIOC (and the British tax authorities) treat them as capital or revenue? And if the former, will balancing charges become payable by the company?

That is one problem for holders of Anglo-Iranian shares at £13. They will perhaps draw greater consolation from the terms on which the consortium is intended to operate—though they should be quite clear that until the aide-memoire is spelled out in a legal agreement, formally executed by the companies participating in it, and enacted as part of the law of Iran, they will be dealing still with expectations rather than accomplished facts. The accord reached by the prospective members of the consortium* and the Iranian negotiators suggests that drafting and ratification may take two

*AIOC, 40 per cent; Royal Dutch-Shell 14 per cent; Gulf, Socony-Vacuum, Standard Oil (New Jersey), Standard Oil of California and Texas Company, 8 per cent each; Compagnie Française des petroles, 6 per cent.

months, and that large scale operations in the oilfields and at Abadan would be under way after a running-in period of three months.

In effect, the consortium has made a firm bargain for three years, starting in 1955. In those three years, given present prices and costs, the total payments for oil to the National Iranian Oil Company and the taxes payable to the Iranian Government should total £150 million—£31 million in the first year, £52 million in the second and £67 million in 1957. Since the essence of the scheme is a 50:50 division of profits between the consortium and Iran, these figures must be taken as the net revenue, after Iranian tax, that the partners expect to receive in return for buying their way into the scheme, spending perhaps £35 million on rehabilitation and meeting operating expenses. Indeed, the working-up of operations in the three years to provide minimum exports of crude oil and refined products of 68 million tons in that period should be a matter of considerable satisfaction to the Iranian side. Some 30 million tons of crude will be processed at Abadan in the three years, of which 13 million tons will pass through the refinery in the third year. This last figure is half the rate of which Abadan was capable before the refinery was closed, and while it will restore Abadan as the biggest producer of refined products in the Eastern hemisphere, it obviously takes realistic account of increases in refinery capacity in Europe, Aden (where AIOC's new refinery has come "on stream" this week, four months ahead of schedule) and in India and Australia.

The marketing of these additional supplies of Middle East oil will not perhaps present major problems to the integrated companies that are joining in the consortium. But it may be noted that co-operation between them will cease at the point of loading and that competition will then determine the selling arrangements that each company chooses to make. Weak sellers at Abadan and Bandar Mashur are not very likely; but tougher competition may be found there than at other ports along the Gulf.

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Much importance was attached from the outset of the negotiations to forms of management for the oil industry in Iran. Two aims, not easily reconcilable, were involved—to avoid wounding Iranian susceptibilities, but to give the consortium full power of decision over all technical operations and expenditures in Iran. The solution of this problem is complicated, but it should be effective. Two new operating companies are to be formed to work in Iran; one of them will deal with exploration and production of crude oil, and the other with refining. They will be registered in Iran, and have their headquarters there, but they will be incorporated under the laws of the Netherlands. Each company will have seven directors, of whom two will be nominated by Iran, and five by the consortium. The two operating companies will be controlled by the parent (consortium) company in London, and will be assisted by a British servicing company, which will provide equipment, technical staff and engineering services.

But national aspirations are properly observed. The National Iranian Oil Company will be directly responsible for training, transport, housing and medical services, and will be recompensed for them. It will also have the right to take crude oil in lieu of cash payment, up to 12½ per cent of total exports, and sell it. It will take refined products for consumption in Iran at cost price, and distribute them. It will work the Naft-i-Shah oil field and the Kermanshah refinery to meet the balance of Iran's needs. And it will be the channel through which the production subsidiary of the consortium pays for the crude oil that it takes under the agreement.

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This is evidence of a welcome intention of partnership on both sides. It amends past mistakes, and it should provide the foundation for popular support for the agreement within Iran. That is essential for the longer view that the agreement contemplates. Beyond three years, it is not specific about the quantities and guarantees that Iran can expect; "it would be the policy of the consortium companies to continue taking quantities of crude oil which would reasonably reflect the supply and demand trend for Middle East crude oil, assuming favourable operating and economic conditions in Iran." In other words, it holds out the expectation of a favourable annual negotiation in each year after the third, provided that all goes well in the world and in Iran itself, throughout the 25-year period of the agreement and its three possible extensions of five years each—until 1994, indeed, which is a year beyond AIOC's old concession. Iran will be paid in sterling, but will have transferable account facilities and access to dollars for its essential needs.

With such evidence of realism on both sides, it is inconceivable that there should be any change of heart, or any slip of political judgment that might imperil the agreement. Both sides have abandoned their earlier irredentism; and the merits of the agreement must now be accepted as outweighing all regrets at the events of 1951 and earlier years. Whether all speculative buyers of Anglo-Iranian ordinary stock will see the agreement in quite the same light may be more doubtful. On compensation, the company has accepted £25 million in instalments "in full and final settlement of all claims and counter-claims of the parties"; and in view of its 40 per cent interest in the consortium, it has not claimed compensation from Iran for loss of future profits. There seems to be more justification for regarding Anglo-Iranian as a company that now enters a new era of maturity and freedom from major troubles. That view would look forward logically to the next step—a more realistic capital structure and an end to the feverish speculation that has attended these many months of negotiation.

Opinions about Options

THE share option, the right to buy shares at some future date at a fixed price, has come into fashion, not as a device for raising fresh capital but as a method of rewarding heavily taxed directors and business executives. Since January the names of Lotus, Taylor Woodrow, E. S. and A. Robinson, Gray's Carpets and Textiles and Bowater Paper have been linked with such options. The fashion, imported from across the Atlantic, was first put on show in Britain by British Electric Traction at the end of 1950. Explaining the scheme to shareholders, the chairman, Mr. Harold Drayton, rounded off his comments with a quotation from the Sermon on the Mount: "for where your treasure is there will your heart be also." It was fortunate for Mr Drayton's argument that he did not begin his quotation two verses earlier at the injunction: "Lay not up for yourselves treasures upon earth, where moth and rust do corrupt and where thieves break through and steal."

The "treasure" that glittered so promisingly was the chance of a tax-free capital gain for the executive, without any need on his part to lock away his money. This chance arose because it was thought by the companies themselves, by learned counsel and, at one time, by the Commissioners of Inland Revenue that liability for income tax and surtax on the value of the options was determined by reference to the date on which the option was granted and not to the date on which the option was actually exercised. The "thieves" have now broken through. Last week the Board of Inland Revenue issued a statement that seems to turn the treasure into fool's gold. It certainly demands quotation in full:

> The attention of the Board of Inland Revenue has been drawn to recent articles and comment in the Press in which it has been stated that liability to income tax in respect of the value of options granted to employees or directors under share option schemes is determined by reference to the date when the option was granted. This was for some time the official view of the law, but the Board are advised that, as a general rule, the liability to income tax should be determined by reference to the date on which the option was exercised, and not the date when it was granted. Particular option schemes may, of course, have special features which would affect the application of this general principle.

On this general rule, if the market price of shares rises between the date on which the option is granted and that on which the recipient exercises it, the whole of the increase in value will be liable to tax as remuneration in his hands.

Why did any misconception, nursed by the Inland Revenue itself, arise on this crucial point? It is not simply because no one was sure of the law but because the law in this connection does not seem to be definitely established. Counsel in giving opinion on this point have had largely to rely on certain observations in *Weight v. Salmon*, decided in 1935 in the House of Lords. This case does not bear directly on the question of dates, for the option under discussion had been granted and exercised within a very short period of time. But in the course of his judgment, Lord Atkin remarked:

> It is to be observed that while the board [of directors] have expressed their willingness to entertain an application for these shares, nobody was bound and no right was given and no profit was received of any kind by the appellant until the application had been accepted and the shares in question had been allotted to him.

Applied to the share options recently announced the word "allotted" seems to be fatally ambiguous. It seems certain that the nice and vital point about dates will have to be settled finally either by statute or by a House of Lords judgment. It must, however, be noted that the Inland Revenue Commissioners in this instance are spinning a double-headed coin against the tax-payer's call of "tails." The Commissioners in their announcement almost openly invite the owner of an option to test their reasoning in a court of law, if he is willing to undertake lengthy and costly litigation. And if the courts decided against the Inland Revenue that misfortune could no doubt be set right in the next Finance Bill and no doubt made retrospective in its effect.

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The intention behind the announcement was no doubt the laudable one of warning those who have been granted options (or have been hoping for them) that they would not necessarily enjoy a tax-free ride. But the method chosen to give this warning was certainly unfortunate. The authoritarian wording of the announcement (even with the saving clause of the last sentence) must have appeared to many as a flat-footed, tendentious assertion of the law. A statement pointing out that there were some legal doubts about the tax liability on options and that the Inland Revenue were inclined to a rigorous interpretation would have been warning enough, and it could have been given a little earlier than now.

Why, it may be asked, have the Inland Revenue Commissioners changed their minds? Is it that as soon as a taxpayer takes a crowbar to widen a crack in the high wall of taxation built round incomes the Inland Revenue brings in a cement mixer to stop it up? Or is it because the general drift in tax legislation (dating, perhaps, from the 1948 Finance Act and the retrospective legislation relating to the gift of shares to Sir John Black) is towards the treatment of all forms

of remuneration, whether it is commission or a share option, on exactly the same footing ?

The share option is as much a product of penal taxation as the expense allowance. Everywhere the difficulty of fully rewarding the highly paid and surtax paying executive or director for his services is recognised. But is the share option the right way of giving the reward ? The usual argument in favour is that those to whom options are granted will secure a personal stake in the business and an interest in its future prosperity, giving them a powerful incentive to diligent and enterprising work. Where an executive has been called in to set a company back on its feet after it has slipped in a bad patch there can be little doubt about the validity of this argument. The executive has then been given a personal stake in the equity which it is his job to bring back to health.

Share options have been granted in such circumstances—the one given to Mr Cyril Lord by Gray's Carpets and Textiles is an example; but they are more usually granted in a rather different setting of a flourishing and well-directed business with every prospect of development and expansion in the future. Then the chairman, basing his case on the incentive value of options, comes forward with a proposal to grant options exercisable over a number of years (often more than five) to directors or senior executives. In such a company how much genuine incentive value do these options carry ? The senior executive, like everyone else, welcomes something for nothing. For him a share option may be the means to a pleasant profit secured at no greater cost than that of obtaining temporary bank accommodation, while the shares under option are bought and sold. (This possibility disposes both of the idea that the option is valuable only to the wealthy man and of the theory that it gives the recipient a stake in the business.) The only incentive that an option may give such an executive is to take a capital profit, for he knows that the value of his option depends at least as much on the dividend policy of his directors as on his own efforts. For the director it is pertinent to ask whether an incentive is really necessary. It is a strange paradox that a director may talk quite genuinely of his devotion to his company and its prosperity, and yet be ready to argue for a new incentive so that he and his colleagues can develop their maximum efforts on the company's behalf. Is it often the case that directors fail to pull their weight because the carrot is insufficiently attractive ? The doubt about the incentive argument was perhaps illustrated when the grant of an option to Sir Eric Bowater was authorised by the directors of Bowater Paper as a "testimonial" to Sir Eric's past services.

*

In fact the share option confers on the director a special privilege which is not shared by other stockholders in the company. The principal objection to such options is not that they water the equity, for the amount of shares issued is comparatively small (though in one instance it did amount to 10 per cent of the issued capital). It is that the director given an option on equity shares in a flourishing company is given a free ride in a direction which he ought to be able to predict with far greater accuracy than any other stockholder. More than this, his own decisions on the company's policy can directly affect the value of his own option. At some stage his own personal interest is involved, as well as the interests of the company and its stockholders.

The ultimate question is whether the community considers that the services of directors and executives to industry are sufficient to justify the creation of a specially privileged class. The Commissioners of Inland Revenue now seem to have taken on themselves to answer that question. In effect, they have decided that there is no justification for the privilege. Their decision, however dubious it may be in constitutional authority, is one that stockholders and employees generally are hardly likely to fight. By making the capital profits which can accrue from share options liable for income tax and surtax, option schemes will be knocked on the head and beneficiaries put on the same footing as an investor; now, if the view of the Inland Revenue is upheld, they will have to back their faith in a company by a cash investment. Penal taxation created the share option; now, like Saturn, penal taxation has eaten its own child.

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Business Notes

Holiday Peaks in the Markets

IN this year of irrepressible buoyancy in the markets all the rules of the close season have been broken. In the middle of a three-week Stock Exchange account, and on the day after August Bank Holiday when many Stock Exchange men and their clients should have been sunning themselves in warmer climes, new peaks were reached and still the markets climb strongly further. The *Financial Times* industrial ordinary share index registered an advance of 2.2 to a new high point of 162.5 in the two days following the holiday. Developing gold mines have marched in step with industrials—an unusual association—and reached a peak of 114.15, showing a rise of 3.3 over the holiday week-end. The gilt-edged market, whose broad shoulders thrust the whole structure of prices upwards, rose strongly both before and after the announcement of the very favourable gold and dollar figures for July. The fixed interest index rose 0.21 to 116.49 between Friday and Wednesday. War Loan 3½ per cent has passed well beyond 91 and the idea that the Treasury might come within sight of being able to convert it has ceased to be a mere joke. The market is strong enough to absorb a substantial gilt-edged issue in August, and both gas and electricity are knocking at the door.

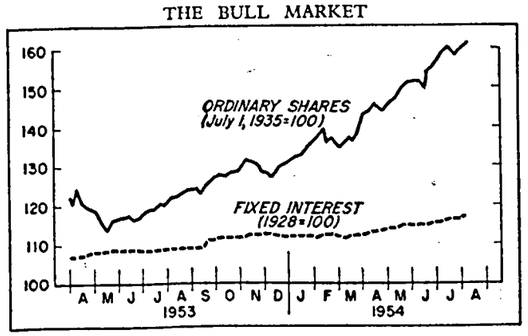
It is true that the rise in the markets must by now be reaching a dangerous stage; though industrial production has been rising (it is now about 6 per cent higher than a year ago) and profits and savings have been improving, the market's advance has been going on for a long stretch and must now discount much of the improvement. But that is not yet the decisive factor: thinking men in the market and in the institutions have been aware of it for some time. Prices are not immediately affected by the doubts of a few cautious minds. The flow of funds seeking investment remains strong for there is plenty of money about. The Bank of England's note circulation provides some evidence of it. The fiduciary issue stands at the record level of £1,750 million, having been increased in four amounts aggregating £175 million since the low point of January; last year three increases amounting in all to £125 million were sufficient. The active note circulation at £1,717 million has reached a seasonal peak some £118 million higher than a year ago. But the supply of funds now seeking a home and pressing yields down and prices up has been notably expanded by the Government's two conversion operations this year. These have forced the money market and other investors interested in short-dated gilt-edged stocks to search hard for suitable investments, and to accept longer dates.

GILT-EDGED YIELDS*

	Jan. 26, 1954	April 6, 1954	May 12, 1954	June 3, 1954	Aug. 4, 1954
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1½% Serial Fund 54..	2 2 11	2 1 2	1 19 9	1 14 8	1 11 9
2½% Exchequer 55..	2 3 3	2 4 2	1 19 11	1 16 8	1 12 9
2½% Nat. War Bonds 54/56	2 7 10	2 7 10	2 3 9	2 2 2	2 0 5
2½% Serial Fund 57..	2 7 8	2 6 5	2 3 1	1 19 5	1 14 8
2½% Funding 56/61..	2 18 7	2 17 0	2 13 2	2 10 0	2 7 5
3% Exchequer 62/63.	3 0 11	3 0 10	2 16 6	2 13 0	2 10 0
3% Savings 55/65....	3 7 6	3 7 9	3 4 9	3 2 5	3 1 7
2½% Savings 64/67...	3 8 9	3 7 7	3 5 0	3 2 4	3 0 3
3% Funding 66/68...	3 9 1	3 9 10	3 9 0	3 6 8	3 3 5
3½% Conversion 1969.	—	3 11 8	3 11 3	3 9 10	3 6 8
3% Savings 65/75....	3 16 0	3 14 7	3 13 1	3 12 6	3 6 5
3½% Electricity 76/79	3 17 9	3 15 10	3 14 11	3 14 3	3 9 7
3% Transport 78/88..	3 17 4	3 15 2	3 13 7	3 13 6	3 9 3
3% Gas 90/95.....	3 15 3	3 13 6	3 11 10	3 11 8	3 8 10
3% Redemption 86/96	3 15 4	3 13 3	3 12 0	3 11 11	3 9 7
4% Consols 1957 or after	4 5 8	4 4 3	4 4 4	4 3 11	4 1 11
3½% War Loan.....	4 3 3	4 1 0	3 19 6	4 0 10	3 16 11
2½% Consols.....	3 18 2	3 17 1	3 13 11	3 15 8	3 12 7

* Gross redemption yields, all to latest date.

THE BULL MARKET



Source: *Financial Times* indices.

Confidence in the Boom?

MOST of the current indicators of demand and activity might suggest that in the short run the British economy has never had it so good—which is naturally enough to make more than a few people uneasy. Current economic indicators are generally at least two months out of date. Even so, no obvious signals of danger have been visible to more recent common observation; and those who question whether the economy can continue to find the resources to meet all these bounding demands may be relying upon what an American economist last year called "a visceral feeling, rather than an estimate."

Employment is brimful, with only about one per cent out of work. Wage rates in May were about five per cent higher than a year before, and earnings may well have risen slightly more than that. Spending on personal consumption in the first quarter of the year was 2½-3 per cent higher than twelve months before, with more money going on almost every

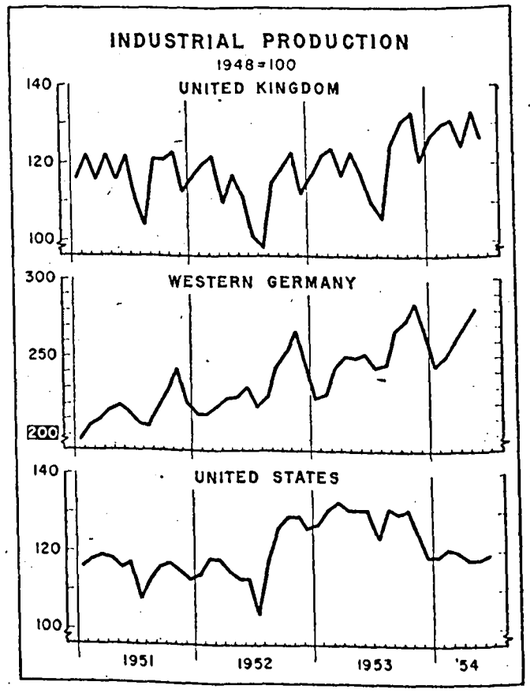
item except drink and entertainment. Since then, retail sales seem generally to have remained buoyant; last month's removal of restrictions on hire purchase may have quickened the pace of demand for durable consumer goods, though the volume of hire purchase on items such as furniture—witness the Great Universal Stores retail furniture results this week—was already rising. Yet retail prices in May were virtually unchanged from a year before; and though there had been a slight rise in wholesale prices since the beginning of the year, which may now be percolating through to prices in the shops, this rise did no more than bring the old "all items" wholesale price index to about the same level as in May, 1953.

Exports, in the first half of the year, were 8 per cent higher by volume than in the same period of 1953, about as high as they have ever been. Defence demand, to judge from some reports from engineering centres, is tapering off slightly; but such indications as can be gleaned of the pace of industrial investment—orders for machine tools, and new factory projects licensed or under construction—suggest a steady increase in this segment of industrial demand. Pressure for production, therefore, is not lacking; but for the moment, there are few indications that it is outpacing capacity and productivity, and indeed the uneasiness of some industrialists still concerns the rate at which orders are being worked off. The working pace within British industry, many observers agree, sems to have quickened somewhat over the last year, mostly perhaps through a return to relative abundance in supplies of materials and the chance to use improved equipment to the full. The index of industrial production suggests that output over the first six months of the year was 6-7 per cent higher than in 1953. What is more important is that, seasonal factors apart, there seems to have been a fresh increase above the high "plateau" of output that was reached late last autumn and was little more than held through the spring.

Lusty Competitors

EVEN this year's rising curve of industrial output, however, can hardly still anxieties about the long run—when it is viewed in perspective and in comparison. Beside the comparable indices of production in Germany and the United States, Britain's production record is creditable but not outstandingly impressive. In January, 1951, the production indices in Britain and the United States, on a 1948 base, were about equal at 116, and since then each would have touched 133 per cent of the 1948 level, Britain in November last year and May this year, and the United States in April last year. The comparison is therefore between a slower but steadier upward trend in Britain, and a rather quicker rise in the United States, broken by the recession which may or may not have begun to "saucer out." But it is only fair to add that the 1948 base upon which the chart is drawn represented for the United States a level of industrial output roughly 90 per cent higher than in 1935-39. It is difficult to find an acceptable comparison between prewar and postwar years for production in Britain, but the most favourable interpretation of the old interim index would not suggest that production in 1948 was more than 20 per cent above the 1935-38 average.

Nor does comparison with prewar levels of output greatly deflate the soaring curve of output in Western Germany. In 1948 industrial output there seems to have been just over 60 per cent of the level in 1936. With an index based on 1948 now showing a figure of 282 (for May this year),



West German output would appear to be nearly 80 per cent higher than before the war—comparing roughly with increases of perhaps 55-60 per cent in Britain and, at the peak last year, 150-160 per cent in the United States.

Buoyant Dollar Surplus

THE sterling area's gold and dollar figures for July make surprisingly pleasant reading. Despite the payment of $98½ million to seven European creditor countries as the initial lump-sum settlement of the $395 million of Britain's debt to the European Payments Union that is being funded, the gold and dollar reserves fell by only $4 million during the month. Receipts of American aid amounted to $15 million, and there was a net receipt from the EPU in respect of the June surplus of $4 million. The surplus on all other dollar accounts was thus $76 million.

This fine surplus apparently owes little to any purely financial transactions or to special sales of gold in London. It may therefore have been more firmly based than the high surpluses of the spring months, which were largely attributable to the inflow of foreign short-term capital to the London gold and foreign exchange markets, or than the December dollar balance, which was swollen by considerable sales in London of Soviet gold. One month's figures do not make a trend; but the July figures alone do suggest that

the sterling area has performed a remarkable feat. It appears to have not only retained nearly all the funds that flowed into London earlier in the year—and that were then expected to ebb away as the speculative forces worked themselves out—but also to have achieved a substantial improvement in its dollar balance on commercial transactions.

The balance with EPU also gives cause for satisfaction. This is the lean season for the sterling area's balance with

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			
June, 1953....	+ 18	+ 10	+ 8	+ 28	+ 46	2,367
July, 1953....	+ 53	+ 2	+ 51	+ 36	+ 89	2,456
Aug., 1953....	− 6	− 6	Nil	+ 19	+ 13	2,469
Sept., 1953....	− 11	− 15	+ 4	+ 28	+ 17	2,486
Oct., 1953....	+ 21	+ 6	+ 15	+ 13	+ 34	2,520
Nov., 1953....	+ 17	− 15	+ 32	+ 24	+ 41	2,561
Dec., 1953....	+118	+ 4	+114	+ 20	− 43*	2,518
Jan., 1954....	+ 10	− 4	+ 14	+ 15	+ 25	2,543
Feb., 1954....	+ 9	+ 7	+ 2	+ 31	+ 40	2,583
Mar., 1954....	+ 88	+ 2	+ 86	+ 14	+102	2,685
April, 1954....	+126	+ 7	+119	+ 9	+135	2,820
May, 1954....	+159	+ 39	+120	+ 6	+165	2,985
June, 1954....	+ 29	+ 15	+ 14	+ 3	+ 32	3,017
July, 1954....	+ 76	+ 4	+ 80	+ 15	− 4†	3,013

* 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.

† After taking account of payments totalling $99 million in mid-July direct to creditor countries in EPU in initial settlement of the U.K.'s overdraft with the Union.

‡ EPU settlements in any month depend on the surplus or deficit with Europe in the previous month.

Europe, since payments for fruit and vegetables and for tourist expenditure reach their peak. Yet in July there was a surplus of fully £9 million with EPU, to be settled 50-50 in gold and by the reduction of Britain's remaining overdraft with the Union later this month. The EPU balance in July does not include the bilateral settlements, which were made outside the mechanism of the Union direct to the creditor countries. The same procedure will be applied to the coming instalments, amounting to around $3½ million per month, to pay off the remaining $296½ million of the EPU debt that remains to be funded.

Gatt and Japan

JAPAN'S accession to the General Agreement on Tariffs and Trade, to be secured by prior tariff negotiations with other member countries, was one of the principal items on the agenda of the Gatt Intersessional Committee that met in Geneva from July 26th to August 4th. This committee of 15 nations has recommended that Japan should be allowed to enter into multilateral tariff negotiations with a view to acceding to Gatt. The recommendation will go forward to the full meeting of contracting parties that is due to open in October, and the United States, which supported the Japanese request, has already announced that it will open bilateral negotiations with Japan on February 1, 1955. The reports of the meeting at which the recommendation was made suggested that the motion had been "opposed" by the United Kingdom delegation. This definition of the United Kingdom view has, apparently, caused some resentment among the British delegation at Geneva, which has gone out of its way to issue its own official summary of its attitude. This authorised version runs as follows:

> The United Kingdom delegate said that the difficulties felt by the United Kingdom Government (and a number of other countries) about Japanese accession were well known, and on that the position of the United Kingdom Government continued to be as it was stated by the President of the Board of Trade at the eighth Gatt session. (The President on that occasion stated that the United Kingdom considered the Japanese application premature and would abstain from assuming obligations towards Japan under the agreement.) As regards tariff negotiations, if it was the general view that the Committee should recommend that arrangements should be made for tariff negotiations with a view to Japanese accession, it should be understood that the position of the United Kingdom was reserved in all respects.

If this was how the British delegate spoke, the official or journalist who summarised it in the one word "opposed" would appear to have done his work admirably.

The second important item on the agenda was the proposal to review the operation and provisions of Gatt in the light of experience gained during the six years of its application. That fundamental review will take place in October and November next at a full session of the contracting parties. It is a task that will gain enormously in importance and topicality from the fact that the revision of Gatt is closely linked with the programme of collective action for restoring convertibility and securing modifications of discriminatory restrictions on international trade.

Bargain in Tin

FRANCE'S eventual decision to join the International Tin Agreement turns out to have been the result of a nicely calculated bargain. As the price of signature, the French government obtained an assurance from the three consuming countries that also have producing interests, Britain, the Netherlands and Belgium, that they would support a French proposal to lower the maximum price in the agreement from £880 to £840 a ton. This becomes clear in a letter from the Colonial Secretary to the High Commissioner for Malaya, in which he also expresses regret that it was impossible "fully and formally" to consult the Malayan government beforehand. The time for signatures was running out, and the French vote was important, both for its own sake and because it might influence the decision of other independent consuming countries. Britain's assurance does not commit Malaya and Nigeria; the local tin-mining industries are now being asked for their views.

France may raise the matter informally when the member governments meet in London in September, or await the first meeting of the Tin Council proper; this may be held

in November if sufficient countries have by then ratified the agreement. Apart from any discussion of prices, the council will have to elect a chairman and two vice-chairmen, appoint a secretary and a manager of the buffer stock, and decide the date on which the agreement will come into force. Those countries that have not signed the agreement, such as West Germany, could then apply for accession if they wished. Instead of appointing a separate secretariat and statistical bureau, the Tin Study Group may be invited to move its staff from The Hague to London, the secretary of the Study Group becoming the secretary of the council as well. There are obvious advantages and economies in merging much of the work of these two bodies.

Modest Rise in Bank Deposits

THE latest return of the eleven London clearing banks shows some slackening in the rate of credit expansion; but it would be unwise to rely on this movement as a portent of the future trend. The return covers only the first three weeks of July; and the true movement in deposits in this period is always distorted by the great volume of cheques in transit (from branch to branch of the same bank) at the time of the end-June make-up. "Net" deposits are shown to have risen in the three weeks by £10.1 million; this compares with an increase of £129.5 million in the preceding six weeks, and with a fall of £9.7 million in deposits in the first two weeks of July, 1953—when the figures were further distorted because some banks received repayments from the proceeds of the Electricity Authority's final call of £31¼ million on its

LONDON CLEARING BANKS

	July 21, 1954		Change on Month	Change on Year
	£ million		£ million	£ million
Deposits	6,466·1		− 67·0	+219·3
"Net" deposits*	6,244·0		+ 10·1	+230·3
	£ million	%†		
Liquid assets	*2,146·7*	*33·2*	*− 9·0*	*− 68·4*
Cash	533·8	*8·3*	+ 2·5	+ 23·4
Call money	427·9	*6·6*	− 26·6	− 32·3
Treasury bills	1,091·1	*16·9*	+ 11·3	− 92·7
Other bills	93·9	*1·4*	+ 3·7	+ 33·3
Investments plus advances	*4,174·1*	*64·6*	*+ 25·6*	*+303·9*
Investments	2,350·6	*36·4*	+ 39·2	+210·4
Advances	1,823·5	*28·2*	− 13·6	+ 93·5

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

public issue. This caused the nominal total of advances to fall by £33 million, whereas this year advances are shown to have fallen by only £13.6 million.

The dominant movement behind the expansion in deposits this July has been an expansion in the banks' investment portfolios. This reached £39.2 million, the largest increase since the funding operation of October last. It is the more interesting as all but £4½ million is attributable to two banks, the National Provincial and the Westminster. Neither of these banks shared in the general increase in the banks' investment holdings in May; and until July they were in fact employing a considerably larger proportion of their funds in liquid assets than were the other banks. There is no evidence that the purchases consisted to any appreciable degree of maturing Serial Funding stock in order to take advantage of the offer of conversion into the new Exchequer Stock, 1963-64.

If the banking figures are read in conjunction with the Exchequer returns, it appears that the banks' purchases were satisfied from private rather than "departmental" holdings. The Government's net repayments to the banking system, as reflected in the fall in the banks' holdings of Treasury bills, call money and cash, amounted to £12.8 million in the three weeks. The net surplus on the Exchequer's domestic finances (after taking account of net receipts from small savings and tax reserve certificates and of finance secured from the large increase in the note circulation) amounted to around £25 million; and it seems unlikely that the sterling needed to finance the balance of payments surplus amounted to more than the remaining surplus over the apparent repayments to the banks. There was accordingly no obvious need for any large sales of gilt-edged by the "departments."

More Pig Iron

THE new "Queen Victoria" blast furnace at United Steel's Appleby-Frodingham works, which was blown in last week, is the final part of a programme that has enlarged iron-making capacity at this steelworks by about three-quarters, and marks a significant addition to the industry's total pig iron capacity. The most notable element in the steel industry's development during the last two years has been the completion of a number of new, large blast furnaces—"Queen Victoria" is of 28 ft. 6 in. hearth diameter, and is believed to be the largest in Europe—which have made possible a shift towards greater dependence upon pig iron following the high ratios of scrap that the British steelworks were able to use in the immediate postwar years.

The total pig iron capacity in Britain today exceeds 12 million tons a year, against just under 8 million tons in 1946. Of this, the basic and hematite iron capacity used mainly in steel-making makes up about 90 per cent; in 1946 the steel industry used about 6 million tons, while by 1953 this had risen to about 9¾ million tons. During the first half of this year it was consuming pig iron at the rate of about 10 million tons a year, with a scrap ratio of about 55 per cent, which compares with a ratio of 58 per cent in 1938 and of more than 60 per cent in some postwar years.

Appleby-Frodingham is one of the two major British steelworks that use home iron ores, and its development programme has been accompanied by the pioneering of improved techniques for dealing with these low-grade ores. Iron production at Appleby-Frodingham is now to be concentrated into "Queen Victoria" and the other large new furnace blown in this year, plus two blast furnaces built in 1939 that have been enlarged on re-lining to a hearth diameter of 25 feet. It is intended to operate the furnaces on 100 per cent sintered ore, which allows a very high rate of production and enables these low-grade ores to be reduced with a coke consumption comparable to furnaces working on high-grade ores. The furnaces are being operated with very high pressure blowing; though United Steel considered the use of gas turbine plant for blowing, it finally decided to use orthodox centrifugal blowers driven by steam turbines, on the ground that so many other features in the new iron-making plant were already of original design.

The Advent of Expresso

A RATHER noticeable development in the British catering business in the past year has been the appearance of small coffee houses, using Italian machines that produce what is generally called "Expresso" coffee. Since March last year, when the import of these machines was placed on open general licence, nearly 400 have arrived compared with only one or two the year before. Up to the end of last April the actual figure was 330, with a total retail value of approximately £80,000 or £90,000, and shipments since April have been averaging about 25 to 30 a month. So far some 250 or so have been sold, including a number that have been re-exported by London agents to Ireland and other parts of the sterling area. Because of the wide range of makes and models, the importers have to carry a fairly large stock.

Expresso machines have been a familiar feature for a long time in Italy and other south European countries. Electrically operated, the machine makes each cup of coffee separately by forcing boiling water under steam pressure through a filter containing freshly ground coffee. The milk, too, is separately and instantaneously heated by steam for each cup of coffee. Neither the coffee nor the milk is kept boiling as in the conventional coffee urn. To the layman Expresso machines look formidable, not unlike small cinema organs in comparison with the Birmingham Gothic architecture of the traditional British urn. The largest model, which can cost up to £600 or £800, has a frightening collection of pumps, handles, and spouts. But there are smaller models on the market costing £200 or less, and one or two manufacturers make a domestic model, which operates on the same principle, has a capacity of from 12 to 24 cups, and sells at £25 to £35. Before March, 1953, a very small number of machines came into this country under special licence; the first—a Pavoni—arrived as far back as 1947. In 1949 the first Coffee House opened in London, using a Gaggia, and was so profitable that it was soon followed by one or two others. But it is only since the restrictions on the import of these machines were removed last year—another victory for OEEC—that the majority of coffee houses have opened up. A number of large department stores have also installed Expresso machines, presumably to retain the patronage of those who use the top or basement floors of stores for their "elevenses." And one machine has been put in the outpatients department of a hospital in south London for the use of patients before they meet their doctor. So far, however, no dentist has claimed to have installed one in his waiting room.

Computors Discussed

THE proceedings have just been published of a symposium on high-speed computors that was held in March at the National Physical Laboratory. The construction of these fantastic robot mathematicians is now well understood, but their applications have barely been considered. Construction and use do to some extent go hand-in-hand, a point that emerged very clearly in some of the papers. Computors for scientific research, for example, need an immense mathematical capacity for performing long sequences. The memory store that carries their instructions and details of the calculation must be big and it must work at exceptional speed if the calculation is not to be delayed. On the other hand, computors for commercial work must be able to take in and point out a large amount of data at speed, but the calculations to be done on it are less involved, so the design requirements are almost the exact reverse.

In his opening address, Professor Hartree of Cambridge pointed to the need for more information about the way the machines already existing are used, and how the work is prepared for them. The symposium itself did something to fill this gap—the papers describe a number of different British-built computors, Madam, Rascal and Mosaic among them—but the real need now is for a less technical assessment of their commercial applications. Plenty of industries are prepared to consider high-speed computing as an alternative to existing installations, if only they knew how their work could be fitted to them.

Double-talk About Roads

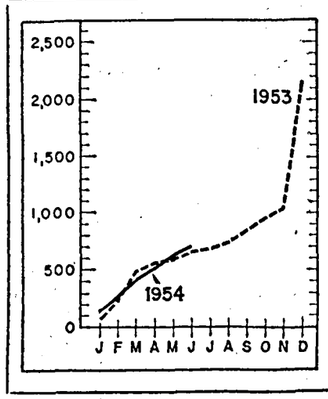
THE new Minister of Transport, who may have gained some experience in haggling over investment priorities in three years at the Treasury, must soon make up his mind whether to try to get road development in Britain the higher place in that queue that it so urgently deserves. In the House of Commons last week the Ministry was urged—for the fourth time in six months—to begin something much bigger than the small programme of work on the roads that the Government announced last year; once again Mr Molson was put up to fob off the critics.

All the arguments upon this issue have become somewhat worn; but continued fumbling over detail by the advocates of larger expenditure on road development does not weaken the essential strength of their central argument, and the Parliamentary Secretary seems to have been glad of the chance to escape into the now familiar discussion of financial details that the proposals for a road loan have given it. Mr Molson again made considerable and irrelevant play with the effects upon the capital market of a sudden £500 million loan—which his critics in this debate did not envisage. He conceded judiciously that the financing of road building, like other forms of capital investment "below the line," would not "be at all times necessarily improper"; but felt that it would be unwise now. But the level of realism displayed generally in this debate is perhaps best indicated by the fact that he was able to add without immediate challenge, after a homily about the fact that financial forms will not enable a nation to invest more resources than it saves, "It is entirely a matter for consideration as to where priority is to be given. I have not understood any of the speeches today to complain about this." This, of course, is where the debate should have begun: it is resources, not finance, that matter.

Test for the Sugar Agreement

THE International Sugar Agreement is now being seriously tested. In recent weeks the price of sugar on the world "free" market has sagged well below the minimum of 3.25 US cents a lb prescribed in the agreement, although export quotas have already been cut down to the minimum of 3.7 million tons. Late last week the executive committee of the International Sugar Council examined the statistical position and further methods of adjusting supply to demand. It announced that it had deferred making recommendations until more information had been obtained on (1) possible increases in demand, (2) shortfalls in export quotas, (3) the readiness of exporters to withhold any remaining surplus, (4) the readiness of importers to provide the maximum outlet for supplies. Member governments are being consulted about the action to be recommended should the council decide at its meeting in London on September 8th that further measures are required. By that time it should be possible to estimate the surplus more accurately. Some countries, principally India, may need more sugar than the council estimated, and one or two smaller exporters may be unable to meet their quotas in full. The fourth point in the committee's statement seems to imply a hope that some importers that have been using up abnormally large stocks this year might be persuaded to draw less from stock for a time, thus increasing the outlets through the free market.

The brunt of the burden of bringing supply and demand into balance may still fall on the exporting countries, particularly the largest exporter, Cuba. It would be difficult for the council to tamper with the agreement itself by attempting to reduce the basic export quotas or the minimum price; a lower minimum would in any case do little to stimulate demand. The council could take some sugar off the market by raising the level of stocks in producing countries from 10 to 15 per cent of the basic quotas, and by agreeing that any shortfall in some export quotas should not be filled by other exporters. The effect of these measures would be small, and might have to be bolstered by a further —voluntary—restriction of exports. Such action would not remedy the surplus, but it might strengthen the market for a time, in the hope that demand may increase next year. Failing such an increase, the only real remedy would be to reduce production. In the meantime Cuba might decide to reduce further its supplies for the free market by increasing the reserve stock it keeps for the American market; this, too, could only be a palliative.



INDUSTRIAL STOPPAGES IN BRITAIN

TOTAL WORKING DAYS LOST
[THOUSANDS]

Cumulative figures throughout the year

Alliance Assurance Scheme

As the volume of business handled by the insurance companies has leaped forward to catch up with postwar inflation, many insurance companies have adjusted their nominal capitals to figures less obviously out of line with their current size. The latest addition to the list is the Alliance Assurance Company, a highly conservative office which is deeply entrenched in one of the steadiest classes of fire insurance. The Alliance last altered its capital in 1905. Now it tackles the complicated job again thoroughly. The company has two classes of capital—250,000 original shares of £20 each with £2 4s. per share paid up and 450,000 new shares of £1 each fully paid, making an absurdly small paid-up capital of £1 million. The two classes rank equally for dividends and assets—that is share for share and not in the ratio of the amounts paid up. But the original shares have an uncalled liability of £17 16s. per share. It is now proposed to extinguish the uncalled liability and equalise the two classes of capital, giving to the holders of the new ordinary shares an extra stake to mark the fact that the holders of the original shares are being relieved of their uncalled capital liability. At the same time the shares are being broken down to smaller units which should be more marketable than the original shares at about £34 10s. or the new shares at about £35.

Under the plan each original share will be replaced by eight fully paid £1 shares in the reconstructed capital of the company and each new share by eight and one-third £1 fully paid shares in the same class. The paid up capital will then be £5,750,000, involving the capitalisation of £4,750,000 of reserves. To provide rather more than that sum, £5,070,000 of specific reserves that have always been free for use in any department are transferred to general reserve. The largest share of these reserves, £3,850,000, comes from the additional reserves of the fire department, £720,000 from the additional reserves of the accident department and £500,000 from contingency reserve. The directors disclaim any intention of materially increasing the amount to be distributed by way of dividend. But the dividend intended does offer shareholders a small addition to last year's payment. It is proposed to pay an interim dividend of 12s. on the present capital in January and a final distribution of 1s. 6d. per share on the new capital in July next year. The equivalent on the present capital of the total distribution will thus be 24s. 3⅛d. compared with 24s. for the whole of 1953.

More Jute Goods Used

An inconspicuous feature of the boom in British production and the recovery in exports is the marked rise in the consumption of jute goods, widely used as a packaging material for industrial and farm products, in the building

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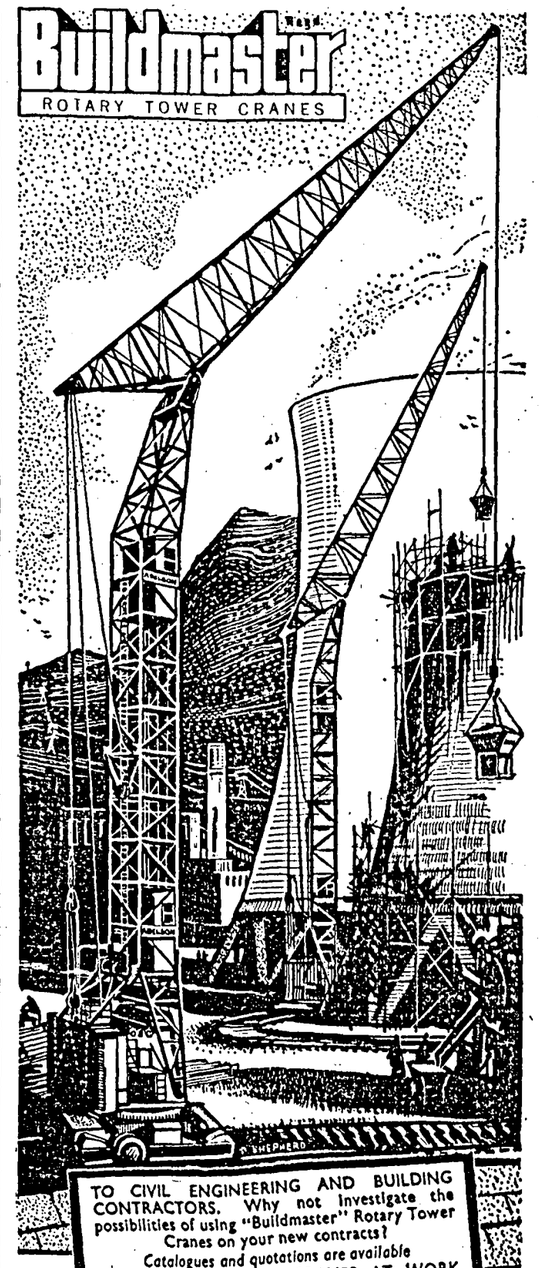
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trades, and in the manufacture of carpets, linoleum and many other products. Production of jute goods in Dundee is at a high level, and may reach a new postwar peak this year. The shortage of labour there is now less acute, and many mills are working to the limit of present capacity. The statistical record of this activity is unfortunately sketchy, because the industry, sheltered by the skirts of the Jute Control, still maintains an old-world coyness about its production figures. The only published figures appear half-yearly in the digest of Scottish statistics, the latest being for the third quarter of 1953. Present indications are that output of jute cloth may rise by some 10,000 tons to 80,000 tons this year, and output of yarn for non-weaving uses by some 5,000 tons to 55,000 tons.

The import figures provide a more dramatic, if rough, indication of greater demand. Imports of jute cloth in the first six months of this year jumped by nearly 100 million square yards to 156 million square yards compared with the same period of last year; they were, indeed, virtually equal to the quantity imported in the whole of 1953. Imports of jute yarn, at 4,500 tons, were more than three times as large as in the same period of last year and only 100 tons short of the total figure for 1953. Sacks alone showed no increase. The expansion of imports has lately tapered off, partly because demand for agricultural uses is seasonally slack. Exports of cloth and yarn have been slightly higher this year, but exports of sacks have fallen—secondhand sacks very sharply. Even allowing for some re-stocking, a substantial part of the additional home output and imports must have gone into consumption. Helped by the recent fall in prices, jute goods appear to be regaining some of the ground lost to paper in the past. Competition from paper, however, is keen, and it is probably significant that prices of paper sacks have risen correspondingly less than prices of pulp.

SHORTER NOTES

All except one of the recommendations of the Wilson Smith committee on duty-free import licensing of machinery have been accepted by the Government, and operation of this licensing system for machinery not procurable in this country was resumed this week. The one recommendation upon which the Government has reserved its decision is the extension of duty-free licensing to plant as well as to machinery; this was one of the two significant changes recommended by the committee in the system operated between 1932 and 1952.

★

The polythene plant at ICI's Wilton centre, mentioned in the article "Experiment at Wilton" in *The Economist* last week, is owned and operated by the company's Alkali Division, not its Plastics Division.

★

The English Electric fighter "P1," designed to attain supersonic speeds in level flight, made its first flight at Boscombe Down this week. In addition to this prototype, 20 pre-production aircraft of this type have been ordered for development trials; Mr Duncan Sandys, Minister of Supply, mentioned that several other supersonic fighter types, now on order, would be flying before very long.

★

The ordinary dividend of the British Match Corporation for the year to March 31st has been left unchanged at 9 per cent. The group's gross profits at £1,466,469 are £99,438 higher than in the previous year and net profits have risen from £498,193 to £575,347.

Company Notes

CONSOLIDATED TIN SMELTERS. This company, the empire of the Patino family, smelts a large slice of the world's tin output in Liverpool and in Penang. It buys the concentrates, once they are assayed, at an agreed price from the producers, and sells the resulting metal to consumers as a principal. Being most particular never to take a view of the market, it sells its production forward as soon as it takes ore in. The consolidated balance sheet shows £2.6 million worth of stocks at March 31st, compared with £3.0 million a year earlier, but it is understood on good authority that the smelter was not in fact carrying the price risk on any of that tin, any more than it was on £3.3 million (compared with £4.8 million) of unassayed concentrates that are excluded from the balance sheet because their exact price had not been fixed.

The group smelted 5 per cent more tin last year, thanks to arrears of Bolivian shipments. It returned a consolidated trading profit of £1.4 million, against £1.1 million, and a net profit after tax of £599,865, against £466,349. That in a year of falling prices certainly supports the chairman's contention that the group does not get itself involved in market risks. But the profit does owe something to non-recurrent items; the slag contract has run out, and to mark the fact that lower earnings are expected from slag in the future, the increase in the ordinary dividend is declared as a 2½ per cent bonus, bringing the total up to 15 per cent compared with 12½ per cent. A strong liquid balance sheet has enabled the company to place £1½ million in the short loan market.

	Years to March 31, 1953	1954
Consolidated earnings :—	£	£
Trading profit	1,129,825	1,418,688
Total income	1,203,524	1,517,811
Depreciation	45,471	51,250
Taxation	*684,740*	*828,580*
Net profit	466,349	599,865
Non-recurring credits	68,340	15,736
Ordinary dividends	137,395	164,874
Ordinary dividends (per cent)	12½	15
General reserve	100,000	100,000
Fixed assets replacement reserve	25,000	...
Added to group carry forward	174,907	252,238
Cons. balance sheet :—		
Fixed assets, *less* depreciation	320,323	345,162
Trade investments	548,524	613,050
Net current assets	4,833,524	5,253,174
Stocks	2,965,060	2,591,406
Cash & T.R.C.'s	216,554	919,021
Short-term loans	...	1,500,264
Reserves	2,392,434	2,744,672
Ordinary capital	1,998,470	1,998,470

£1 ordinary stock at 26s. xd. yields £1 11s. per cent.

★

WILLIAM CORY AND SON. Signs of broadening trade, though in conditions much more competitive than before the 1952 recession, are to be found in the accounts of this company which distributes coal, oil and general merchandise, owns a substantial fleet including the largest single stake in the barges and tugs that ply on the Thames and has extensive wharfage facilities. The chairman, Mr F. A. Leathers, tells shareholders that trade gradually improved throughout the year ended March 31st, but that business can only be obtained in the face of the fiercest competition. On the home front the group has certainly been successful in doing so. Apparently it has been less successful in its overseas activities. The parent company's profit shows a rise of £159,000 at £1.7 million; the consolidated profit an advance of only £132,000 at £2 million because certain

of the overseas companies have contributed less to the combined total. The largest overseas investment of the group is in South Africa where the chairman describes the coal export trade as seriously cramped.

Shareholders can still feel reasonably happy at the result. Though the group trading profit is higher there is no increase in the net figure after tax which is £689,666, compared with £697,230. But there is a bigger dividend. The final payment is 12½ per cent making a total

	Years to March 31, 1953	1954
Consolidated earnings :—	£	£
Trading profit	1,904,180	2,036,677
Total income	2,230,057	2,394,177
Depreciation	485,914	501,172
Taxation	883,389	1,023,996
Net profit	*697,230*	*689,666*
Ordinary dividends	353,949	478,515
Ordinary dividends (per cent)	11½	15
Capital reserves	35,268	185,079
Revenue reserves	12,756	16,584
Added to group carry forward	264,133	*Dr. 22,137*
Cons. balance sheet :—		
Fixed assets, *less* depreciation	2,627,888	2,810,297
Net current assets	12,587,120	13,172,428
Stocks	679,724	742,686
Debtors	8,963,054	10,433,246
Quoted securities	6,412,261	6,778,520
Cash	4,290,508	4,555,199
Reserves	11,750,309	9,345,902
Ordinary capital	2,850,094	5,800,188

£1 ordinary stock at 55s. 9d. yields £5 8s. per cent.

distribution of 15 per cent. A capital distribution of 100 per cent which affected the final dividend, but not the interim, in the previous year distorts comparison, but in terms of the present ordinary capital of £5.8 million the rate is up from 11½ per cent to 15 per cent. The balance sheet is strong and the policy is progressive. The chairman announces that the company has placed important new orders for ships.

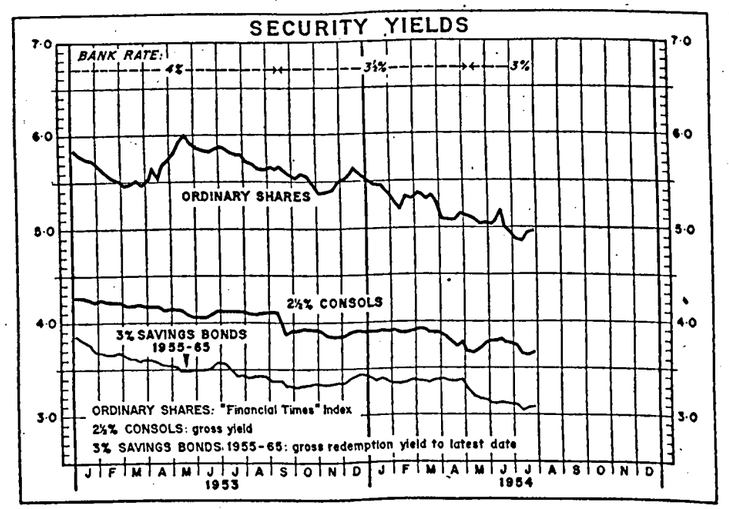
★

ASSOCIATED BRITISH ENGINEERING. After the death of Mr Allen Good, a divorce was arranged between the two main companies with which he had been connected. Associated British Engineering sold the bulk of its holding (2 million 5s. ordinary shares) in the Brush Group to Thomas Tilling at the prevailing market price. The present accounts from Associated British Engineering shows that that partner has not suffered as a result of the divorce. Profits were well maintained in the year

	Years to March 31, 1953	1954
Consolidated earnings:—	£	£
Net trading profit	199,711*	200,083*
Taxation	94,820	98,458
Net profit	*88,320*	*171,160*
Ordinary dividends	32,250	44,000
Ordinary dividends (per cent)	6	8
Added to group carry forward	*Dr.*8,105	12,310
Cons. balance sheet:—		
Fixed assets, *less* depreciation	773,143	809,756
Net current assets	871,897	1,234,422
Stocks	1,214,511	1,117,595
Cash	91,611	254,786
Loans and overdrafts	883,786	383,890
Reserves	314,207	442,049
Ordinary capital	1,000,000	1,000,000

5s. Ordinary Stock at 6s. yields £6 13s. per cent.
* After deducting all production expenses, selling and administration, depreciation, interest and Directors' emoluments.

ended March 31 ; the dividend was raised from 6 per cent to 8 per cent and the chairman, Mr Lawrence W. Robson, announces that turnover of the manufacturing subsidiaries has been held at a level above the previous year's. As a result of the sale of the Brush shares and the repayment by the Brush group of approximately £100,000 of loans (leaving £186,822 of those unsecured loans outstanding) the liquidity of the balance sheet has been much improved. Bank overdrafts at £354,493, have been reduced by £486,023. Mr Robson reports that turnover for the first four months of the current year has been higher than in the corresponding period of the previous year. But he adds a warning of increased competition, particularly from continental countries.



LONDON STOCK EXCHANGE

Next Account begins : August 11th
Next Contango Day : August 11th
Next Settlement Day : August 17th

BUSINESS in the stock market was unusually brisk after the Bank Holiday and prices, which had been firm before the market closed for the holiday, made a strong advance. The *Financial Times* ordinary share index had been carried to a new peak of 162.5 points when the market closed on Wednesday. The pace for this advance was set in the gilt-edged market. Demand in this market was concentrated upon the undated and long dated stocks. On Tuesday both War Loan (rising to 92⅛) and 3½ per cent Conversion (rising to 92) gained ¼ of a point, while many of the other long dated issues made gains of up to ½ of a point. These advances were maintained on Wednesday (both before and after the announcement of the July gold and dollar figures). War Loan put on ⅜ of a point and most of the other undated and long dated stocks made gains of ¼ of a point. There was also a good demand for Dominion and Colonial issues, particularly for the 4 per cent stocks ; the new Federation of Rhodesia and Nyasaland loan closed on Wednesday at a premium of 1⅛ on the issue price of 97½.

The advance in industrial shares covered nearly all sections of the market. The biggest rises were recorded in the stores section, where "Gussies" in a very active market closed on Wednesday at 94s. 1½d., after touching 96s. Radio and cinema shares came more into demand, with Odeon gaining 1s. 3d. to 20s. on Tuesday. Oil shares were quiet, though Anglo-Egyptian rose ⅛ to 4½. Rubber shares were steady and tea shares continued to go ahead.

The OFS issues were the most active group in the Kaffir market and Free State Geduld made a particularly strong advance. Copper shares turned a little easier after opening quite firm at the beginning of the week. In the foreign market the Peruvian stocks lost part of their earlier gains when profits were taken. Costa Rica stocks came into demand on hopes of an early debt settlement. The threat of a big strike in Western Germany made for dullness in German bonds on Wednesday.

FINANCIAL TIMES INDICES

1954	Security Indices Ord.*	Fixed Int.†	Yields 2½% Cons.	Ord.
			%	%
July 28...	159·2	116·18	3·67	4·97
„ 29...	159·9	116·25	3·66	4·95
„ 30...	160·3	116·28	3·66	4·96
Aug. 2...	...	...	...	...
„ 3...	161·7	116·42	3·64	4·89
„ 4...	162·5	116·49	3·62	4·87
			Total bargains	
1954, High	162·5 (Aug. 4)	116·49 (Aug. 4)	1954 July 28	10,365
„ Low..	131·1 (Jan. 1)	111·78 (Jan. 5)	„ 29	10,473
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 30 Aug. 2	10,381 ...
„ Low..	113·9 (May 20)	105·68 (Jan. 5)	„ 3	12,998
			„ 4	12,948

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Aug. 4 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, July 28, 1954	Price, Aug. 4, 1954	Net Yield, Aug. 4, 1954 § £ s. d.	Gross Yield, Aug. 4, 1954 £ s. d.
100⅛	99⅛	Exchequer 2½% 1955	100⅛	100⅛	0 13 8	1 12 9
105⅜	101⅛	Exchequer 3% 1960	104⅛	105*	0 14 3	2 0 1
104⅛	99⅛	Exchequer 3% '62-63	104⅛	104⅛	1 3 2	2 10 0
100⅞	99⅛	Serial Funding 1¾% 1954	100/0/9⅛	100/0/8⅛	0 3 2	1 11 9
100⅛	99⅛	S. Fdg. 1¾% 1954 Ass. Exc.	100	100⅛	1 7 7	2 10 4
101⅛	99⅛	Serial Funding 2½% 1957	101⅛	101⅛	0 13 3	1 14 8
101⅛	100⅛	Serial Funding 3% 1955	101⅛	101⅛	0 2 11	1 14 4
101⅛	100	War Bonds 2½% '54-56	100⅛	100⅛	1 4 11	2 10 10
101⅛	100⅛	Funding 2½% '52-57	100⅛	...	...	1 9 7
101⅛	100⅛	Nat. Def. 3% '54-58	100/2/10	100/2/3	...	2 14 3
102⅛	101⅛	War Loan 3% '55-59	102⅛	102⅛	1 5 9	2 14 3
100⅛	95⅛	Savings Bonds 3% '55-65	99*	99⅛*	1 14 6	3 1 7
101⅛	97⅛	Funding 2½% '56-61	101⅛	101⅛	1 3 11	2 7 5
97⅛	92⅞	Funding 3% '59-69	97	97⅛	1 17 6	3 5 8
98⅛	93⅛	Funding 3% '66-68	97⅛*	98⅛	1 16 1	3 3 5
97⅞	97⅛	Funding 3½% 1999-2004	97⅛	97⅛	2 0 2	3 12 5
105⅞	100⅛	Funding 4% '60-90	104⅛*	105⅛	1 7 0	3 3 10
96⅛	90⅛	Savings Bonds 3% '60-70	95⅛*	95⅛	1 18 10	3 6 4
95⅞	90⅛	Savings Bonds 2½% '64-67	95⅛*	95⅛	1 16 6	3 0 3
105⅛	101⅛	Victory 4% '20-76	104⅛*	104⅛*	1 15 11	3 10 7
95⅛	87⅛	Savings Bonds 3% '65-75	94⅛*	95⅛*	1 18 8	3 6 5
97⅛	93⅛	Consols 4% aft. Feb. '57	97⅛*	97⅛	2 5 1	4 1 11
92⅛	84⅛	Conv. 3½% aft. April '61	91	92⅛	2 1 10	3 16 7
102⅞	99⅛	Conv. 3½% 1969	101⅛*	101⅛*	1 15 8	3 6 8
100⅛	99⅛	Conv. 2% 1958-59	100⅛	100⅛	0 19 8	1 17 10
69⅛	63⅛	Treas. 2½% aft. April '75	68⅛	69⅛	1 19 10	3 12 10
81⅛	74⅛	Treas. 3% aft. April '66	80⅛	81⅛	2 0 9	3 14 7
100⅛	92⅛	Treas. 3½% '77-80	99⅛	100⅛	1 18 3	3 10 0
100⅞	92⅛	Treas. 3½% '79-81	99⅛*	100⅛*	1 18 1	3 9 5
90⅛	83	Redemption 3% '86-96	89⅛	90	2 0 1	3 9 7
91⅛	84⅛	War L'n 3½% aft. Dec. '52	89⅛	91	2 2 2	3 16 11
69⅛	63⅛	Consols 2½%	68⅛	69⅛	1 19 10	3 12 7
96⅛	88⅞	Br. Elec. 3% '68-73	95⅛	96⅛	1 18 3	3 6 7
95⅛	87⅛	Br. Elec. 3% '74-77	94⅛	95⅛	1 18 6	3 7 0
110⅛	103⅞	Br. Elec. 4½% '74-79	109⅛	110⅛	1 15 0	3 12 0
101⅛	93⅛	Br. Elec. 3½% '76-79	100⅛	101⅛	1 17 10	3 9 7
91⅛	83⅞	Br. Trans. 3% '78-88	90	91⅛	2 0 5	3 9 3
96⅛	88⅛	Br. Trans. 3% '68-73	95⅛	96⅛	1 18 3	3 6 7
106⅞	100⅛	Br. Trans. 4% '72-77	105⅛	106⅛	1 16 0	3 11 1
91⅛	84⅛	Br. Gas 3% '90-95	90⅛	91⅛	1 19 8	3 8 10
102⅛	96⅛	Br. Gas 3½% '69-71	101⅛*	101⅛*	1 16 3	3 7 2
106⅞	99⅛	Br. Gas 4% '69-72	105⅛*	106⅛*	1 14 5	3 9 1

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953 High	Low	Prices, 1954 Jan. 1-Aug. 4 High	Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, July 28, 1954	Price, Aug. 4, 1954	Yield, Aug. 4, 1954 £ s. d.
92	84⅛	96½	90⅛	Aust. 3½% '65-69	95⅛	95⅛	3 13 0
...	...	99⅛	97½	Ceylon 4% '73-75	99	99	4 1 6
98⅛	98⅛	105	98⅛	N. Zealand 4% '76-78	103⅛	104⅛	3 14 1
73⅛	66⅛	79⅛	71⅛	L.C.C. 3% aft. 1920	77	79*	3 15 11
95⅛	90⅛	98⅛	95	Liverpool 3% '54-64	98⅛	98⅛	3 3 6
81⅛	73⅛	86⅛	80⅛	M.Wtr.'B'3% '34/2003	86⅛	85⅛*	3 12 8
104⅛	101⅛	104⅛	101⅛	Agric. Mort. 5% '59-89	102⅛	102⅛	4 4 10
...	...	95⅛	71⅛	German 7%	83	83⅛	...
...	...	142	102	German 5½%	124	124⅛	...
139½	119	159⅛	132⅛	Japan 5% 1907	149	151	...
176	136	186⅛	168⅛	Japan 5½% Conv. 1930	177½	178⅛	...

Prices, 1954 Jan. 1 to Aug. 4 High	Low	Last Two Dividends (*a*)	(*b*)	(*c*)	ORDINARY STOCKS	Price, July 28, 1954	Price, Aug. 4, 1954	Yield, Aug. 4, 1954 £ s. d.
		%		%	BANKS & DISCOUNT			
49/-	42/3	16	*c*	5	*a* Barclays £1	48/6	49/-	4 1 8
65/6	58/9	14	*c*	7	*a* Lloyds 'A' £5, £1 pd.	64/-	64/6	4 6 10
84/6	74/9	8	*b*	8	*a* Midland £1, fully pd.	82/6*	82/6*	3 17 7
82/6	72/7½	8½	*b*	8½	*a* N. Prov. 'B' £5, £1 pd.	80/6	81/6	4 3 8
91/9	79/6	18	*c*	10	*a* Westminster £4, £1 pd.	89/-*	89/-*	4 0 11
126/3	92/-	17½	*b*	7½	*a* Alexanders £2, £1 pd.	125/-	125/-	4 0 0
49/6	40/10½	5	*b*	5	*a* Nat. Disc. 'B' £1	48/-*	48/-*	3 2 6
55/6	44/6	5	*b*	5	*a* Union Disc. £1	53/-	53/-	3 15 6
46/-	37/6	4	*b*	4	*a* Barc. (D.C.&O.) 'A' £1	44/6	45/6	3 10 4
45/7½	40/3	7	*a*	7	*b* Chart. Bk. of India £1	42/6	42/6	6 11 8
					INSURANCE			
14⅛	9⅛	50	*a*	85	*b* Leg. & Gen. £1, 5/- pd.	14⅛	14⅛	2 6 7
23⅛	20⅛	20	*a*	40	*b* Pearl £1, fully pd.	22⅛	23	4 14 11
43⅛	35⅛	105	*c*	112½	*c* Prudential 'A' £1	42⅛	43	4 15 2
					BREWERIES, ETC.			
131/3	125/-	33	*b*	10	*a* Bass £1	126/10½	126/10½	6 15 7
23/3	17/4½	7½	*a*	17½	*b* Distillers 4/-	22/9	22/6	4 8 11
35/3	31/-	11	*b*	8	*a* Guinness 10/-	35/-	35/-	6 8 7
84/3	60/-	8	*a*	15½	*b* Whitbread 'A' Ord. £1	77/6	77/6	5 8 6

Prices, 1954 Jan. 1 to Aug. 4 High	Low	Last Two Dividends (*a*)	(*b*)	(*c*)	ORDINARY STOCKS	Price, July 28, 1954	Price, Aug. 4, 1954	Yield, Aug. 4, 1954 £ s. d.
		%		%	STEEL & ENGINEERING			
60/6	45/-	12½	*c*	15	*c* B.S.A. £1	60/6	61/-	4 18 4
12/4	8/9	5	*a*	10	*b* Cammell Laird 5/-	10/3	10/3	7 4 4
60/7½	49/9	5	*a*	10	*b* Guest Keen N'fold £1	59/4½	59/9	5 0 5
...	...	...		...	Stewarts & Lloyds £1	36/9	37/6	...
25/4½	22/-	7½	*b*	4	*a* United Steel £1	25/-	25/4½	7 1 10
37/3	23/9	2½	*a*	12½	*b* Vickers £1	33/-	35/-	4 5 9
					TEXTILES			
28/2	21/4	4	*a*	11	*b* Bradford Dyers £1	24/9	25/6	7 16 10
32/4½	24/9	6	*a*	12	*b* Brit. Celanese 10/-	27/-	27/-	6 13 4
31/4½	24/8	5	*a*	10	*b* Coats (J. & P.) £1	26/6	26/9	5 12 2
34/-	25/2	6½	*a*	4½	*b* Courtaulds £1	33/-	32/6	4 18 6
30/3	23/8	20	*c*	10	*a* Lancs. Cotton £1	26/6	26/9	5 12 2
79/6	64/-	5	*a*	15	*b* Patons & Baldwins £1	67/3	66/6	6 0 4
					ELECTRICAL			
60/6	41/9	7½	*a*	7½	*b* Assoc. Elect. £1	60/-	60/-	3 15 0
46/6	38/-	2½	*a*	7½	*b* B.I.C.C. £1	45/9	45/9	4 7 5
50/3	38/6	5	*a*	6½	*b* English Elect. £1	50/-	50/-	4 0 0
51/6	37/9	3½	*a*	8½	*b* General Elect. £1	50/-	50/-	5 0 0
					MOTOR & AIRCRAFT			
23/7½	18/6	3½	*a*	6½	*b* Bristol Aeroplane 10/-	22/3	22/10½	4 7 5
10/7½	6/3½	6½	*b*	4	*a* British Motor 5/-	10/4½	10/7½	4 18 10
30/3	23/4½	7½	*c*	12	*c* De Havilland £1	26/-	26/4½	5 13 8
71/7½	35/9	7½	*c*	12	*c* Ford Motor £1	70/-	70/7½	3 7 11
44/6	23/10	9	*b*	6	*a* Hawker Siddeley £1	81/3	44/-	3 8 2
80/6	80/6	25	*c*	25	*c* Leyland Motors £1	97/6	97/6	5 2 7
73/-	44/-	5	*a*	12½	*b* Rolls Royce £1	66/10½	67/6	3 9 2
8/10½	5/5½	12	*c*	12	*c* Standard Motor 5/-	8/1½	8/1½	7 7 8
					SHOPS & STORES			
27/2½	22/9	10	*a*	12½	*b* Boots Pure Drug 5/-	26/3	26/1½	4 6 2
42/9	32/-	15	*b*	7½	*a* Debenhams 10/-	40/-	40/6	4 18 9
96/6	53/3	15	*a*	45	*b* Gt. Universal 5/-	81/6	95/-	3 3 2
109/4½	92/9	5	*a*	17½	*b* Lyons (J.) 'A' £1	104/6	107/6	4 3 9
59/-	36/11	20	*a*	45	*b* Marks & Spen. 'A' 5/-	53/-	58/-	2 16 2
80/6	64/-	40	*b*	20	*a* Woolworth 5/-	73/6	75/6	3 19 6
					OIL			
13⅛	8⅛	5	*a*	37½	*b* Anglo-Iranian £1	13	13	3 5 5
£44⅛	£28	4	*a*	12	*b* Royal Dutch 100 fl.	£41	£41	3 1 1
106/9	77/10	5	*a*	10	*b* Shell Reg. £1	96/10½	96/10½	4 13 1
25/7½	17/6	15	*b*	5	*a* Trinidad L'holds 5/-	23/6	23/6	3 17 4
34/9	25/3	...		...	Ultramar 10/-	28/3	28/-	Nil
					SHIPPING			
44/6	36/7½	16	*c*	2½	*a* Cunard £1	44/-	44/-	7 5 5
38/7½	30/3	12	*c*	12	*c* Furness Withy £1	35/6	35/-	6 17 2
48/7½	31/3	6	*a*	16	*b* P. & O. Def. £1	45/-	48/-	4 11 8
35/3	24/10½	(*p*) 10		10	*c* Royal Mail £1	30/6	30/6	6 11 2
					MISCELLANEOUS			
90/3	67/9	5	*a*	12½	*b* Assoc. Port. Cem. £1	85/-	85/7½	4 1 9
59/3	33/-	15	*c*	16	*c* Bowater Paper £1	56/10½	56/10½	4 4 5
40/-	33/9	4	*a*	6	*b* Brit. Aluminium £1	36/3	35/7½	5 12 3
43/3	36/3	12½	† *c*	4½	† *a* Brit. Amer. Tob. 10/-	40/6	40/-	5 13 7
$49½	$38⅛	3	*b*	3	*a* Canadian Pacific $25	$49	$48	5 14 2
42/3	32/6	35	*c*	14	*a* Decca Record 4/-	41/-	41/-	4 5 4
27/-	18/5	11½	*c*	14	*c* Dunlop Rubber 10/-	26/3	26/6	5 5 8
37/7½	26/6	6	*a*	9	*b* Imp. Chemical £1	35/3	35/6	4 4 6
58/7½	49/3	11½	*b*	8½	*a* Imp. Tobacco £1	53/-	53/-	7 10 11
$81⅛	$63⅛	$2·60	*c*	$2·35	*c* Inter. Nickel n.p.v.	$78⅛	$81⅛	5 3 6
60/6	51/6	7½	*a*	9	*b* London Brick £1	58/-	58/-	4 16 7
78/3	63/6	12½	*b*	5½	*a* Tate & Lyle £1	74/6	74/-	4 6 6
71/-	60/6	7½	*b*	7½	*a* Tube Investments £1	67/6	67/6	4 8 11
86/6	69/-	17½	*c*	5	*a* Turner & Newall £1	85/-	85/6	4 1 10
84/9	57/6	6	*a*	9½	*b* Unilever £1	80/-	79/6	3 19 3
38/3	30/3	† 4½	*a*	7½	*b* United Molasses 10/-	34/-	34/6	6 7 6
39/6	28/-	Nil	*c*	10†	*c* Cons. Tea & Lands £1	36/-	38/6	9 8 11
2/4½	1/10	10	*c*	10	*c* London Asiatic Rbr. 2/-	1/11½	1/11½	10 6 5
38/6	25/2	5	*a*	15	*b* United Sua Betong £1	33/-	34/-	7 16 10
					MINES			
7/15/3	5⅜	20	*a*	40	*b* Anglo-Amer. 10/-	7⅜	7⅜	3 18 1
111/9	68/3	80	*a*	120	*b* De Beers 5/- Bearer	109/4½	110/7½	9 0 10
101/10½	56/6	...		...	Free State Geduld 5/-	91/10½	97/6	Nil
76/3	54/9	8½	*c*	10	*c* Randfontein £1	63/4½	62/3	3 4 3
6/9	4/10½	22	*c*	24	*c* London Tin 4/-	6/1½	6/2½	15 10 4
26½	16⅛	175	*b*	50	*a* Rhokana £1	25½	26	8 13 1

* Ex dividend.

New York Closing Prices

	July 28	Aug. 4		July 28	Aug. 4		July 28	Aug. 4
	$	$		$	$		$	$
Balt. & Ohio	26¼	27⅜	Am. Smelting	39⅜	38½	Inter. Paper	78⅜	79½
Can. Pac.	27½	26⅜	Am. Viscose	38⅜	38⅜	Nat. Distill.	20½	20⅜
N.Y. Cent.	21⅜	21⅜	Cel. of Amer.	21⅞	21	Sears Roebuck	66	68⅛
Pennsyl.	16⅜	17	Chrysler	62½	65⅛	Shell	48⅜	48
Amer. Tel.	172⅛	173⅛	Gen. Elec.	44½	46⅜	Std. Oil of N.J.	88⅞	89½*
Stand. Gas.	13⅜	14	Gen. Motor	80⅜	81⅛	U.S. Steel	54⅜	54⅛
United Corp.	5⅛	5⅛	Goodyear	74⅛	74⅜	Westinghouse	70½	70⅜*
W. Union Tel.	46⅛	49⅛	Inter. Nickel	43⅛	45	Woolworth	44⅛	44⅛

* Ex dividend.

† Free of tax. Yield calculated on gross basis. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Whole year's dividend. (*d*) Yield basis 21%. (*e*) To earliest date. (*f*) Flat yield. (*g*) Yield basis 43½%. (*h*) Also 4% tax free bonus and 50% tax free from capital profits ; yield basis 14·8%. (*i*) Yield basis 13½% after capital bonus. (*j*) Yield basis 11½%. (*k*) Yield basis 8%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution. (*q*) Yield basis 22% gross. (*r*) Yield basis 32½%. (*s*) Yield basis 22·7% gross. (*t*) Also 2½%, not subject to tax, from capital profits. Yield basis 10%. (*u*) Yield basis 12%. (*v*) Yield basis 7½%. (*w*) Yield basis 20%. (*x*) Yield basis 18·18% gross. (*y*) Yield basis 11%, after capital bonus. (*z*) Yield basis 11½%. * Ex dividend.

Statistics

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

British		Overseas	
Prices and Wages	This week	Western Europe:	
Production and Consumption	July 10th	Production and Trade	This week
Manpower	July 24th	British Commonwealth	July 10th
External Trade	July 31st	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	July 24th
Industrial Profits	July 17th	United States	July 31st
		World Trade	July 17th

Prices and Wages

	Unit	1951	1952	1953	1953			1954			
		mid-June			July 21	July 28	Aug. 4	July 13	July 20	July 27	Aug. 3
WORLD PRICES											
Commodity Price Indicator: (1)											
All items	1952=100	126	99	89	90	90	90	99	99	99	99
Food	,,	114	100	93	97	97	98	122	122	123	124
Fibres	,,	167	99	87	86	87	87	86	86	85	85
Metals	,,	99	100	80	79	79	78	82	82	81	80
Other items	,,	131	96	96	99	96	96	93	93	93	93
		Monthly averages			1953			1954			
BRITISH WHOLESALE PRICES		1951	1952	1953	April	May	June	March	April	May	June
Old series:											
All articles	1938=100	315·0	323·3	323·5	328·3	326·1	325·4	324·1	325·1	326·1	327·3
Food and tobacco	,,	253·9	292·0	314·6	325·2	324·1	322·8	317·8	317·4	317·2	318·0
Materials used in:	June 30,										
Non-food manufacturing	1949=100	193·3	162·1	145·8	148·6	146·9	145·4	141·8	143·6	144·7	144·9
Mechanical engineering	,,	134·3	149·9	145·7	145·9	143·4	143·1	146·7	147·5	149·3	150·8
Electrical machinery	,,	151·9	165·4	155·2	156·5	151·2	150·8	155·7	156·7	159·0	153·9
Building and civil engineering	,,	125·6	133·6	130·4	130·7	130·2	130·2	130·3	130·7	131·0	131·3
House building	,,	123·0	130·6	128·7	129·0	128·8	128·5	129·2	129·8	130·3	130·4
Commodities:											
Cotton, raw	,,	223·2	171·9	140·6	137·2	139·4	140·0	155·8	155·6	156·1	155·4
Wool, raw	,,	252·3	147·9	171·1	174·8	182·4	174·9	160·5	167·4	173·4	177·5
Rubber, No. 1 RSS, one month future	,,	499·1	282·8	199·1	201·9	210·8	202·7	163·9	176·1	185·3	191·9
Softwood, imported	,,	143·5	158·0	144·1	150·1	146·6	143·7	142·6	143·3	143·3	143·4
Copper, ex-warehouse (2)	,,	187·5	220·7	217·6	233·7	215·2	214·5	204·3	206·1	208·2	205·0
UK RETAIL PRICES											
Interim index:	June 17,										
All items	1947=100	125	136	140	141	140	141	141	142	141	142
	Jan. 15,										
All items	1952=100	...	102·6	105·8	106·4	106·0	106·6	106·6	107·0	106·7	107·3
Food	,,	...	105·4	111·3	112·5	112·7	113·8	111·6	112·6	112·1	113·6
All items	1938=100 (3)	202	221	228	229	228	229	229	230	230	231
Food	,,	191	221	233	236	236	238	234	236	235	238
Rent and rates	,,	119	122	129	130	130	130	132	134	134	134
Clothing	,,	249	259	253	253	253	253	255	255	255	255
Fuel and light	,,	177	197	207	209	203	205	217	218	213	214
Household durable goods	,,	288	294	286	290	283	282	285	284	284	284
Drink	,,	318	255	256	256	256	256	257	257	257	257
Tobacco	,,		386	387	387	387	387	387	387	387	387
Purchasing power of £ (based on all consumer spending)	1938=100	48	45	44	43	44	43	43	43	43	43
UK TERMS OF TRADE (4)											
Import prices:											
All items	1953=100	117	113	100	102	100	99	96	98	98	99
Food, drink and tobacco	,,	100	104	100	101	101	102	99	101	102	102
Basic materials	,,	140	123	100	100	101	99	96	96	97	98
Export prices:											
All items	,,	98	103	100	100	100	99	99	99	99	99
All manufactures	,,	98	103	100	101	99	99	99	99	99	99
Metals	,,	89	99	100	103	100	101	96	95	94	95
Engineering products	,,			100	100	99	99	99	99	100	99
Textiles (excluding clothing)	,,	117	112	100	99	99	100	101	103	103	103
Terms of trade:											
Ratio of import to export prices	,,	118	109	100	102	100	100	97	99	99	100
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	...	100·0	77·5	85·6	82·2	73·8	77·4	75·8	77·4	77·1
UK WAGES											
Weekly wage rates:	June 30,										
All workers	1947=100	120	130	136	135	135	135	139	141	142	142
Men	,,	119	129	134	134	134	134	138	140	140	141
Women	,,	123	133	140	139	139	139	144	145	146	146
Weekly earnings: (5)											
All workers	s. d.	141 1	151 11	160 1	157 7	...	...	...	...	...	...
Men	,,	166 0	178 6	189 2	185 11	...	...	...	...	...	...
Women	,,	90 1	96 4	102 5	100 3	...	...	...	...	...	...
	Oct.,										
All workers	1938=100	265	285	301	296	...	...	...	...	...	...
Men	,,	241	259	274	269	...	...	...	...	...	...
Women	,,	277	296	315	309	...	...	...	...	...	...

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

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) **(1948 = 100)**												
1938	118	82	77	90	193	132	76	101	89	81	67	63
1952	181	114	117	131	231	171	124	147	130	135	110	133
1953	184	114	119	127	251	193	137	161	144	140	111	149
1953, December	190	117	119	137	271	229	145	174	152	138	121	...
1954, January	158	114	115	134	268	224	...	165	146	144	116	...
,, February	187	114	126	134	276	221	...	162	138	173	117	...
,, March	199	116	128	137	279	227	...	180	158	159	120	...
,, April	...	...	129	...	289	227	...	...	151	139	122	...
VALUE OF EXTERNAL TRADE (2)												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £ T.
IMPORTS (c. i. f.)												
1938	50	1,922	135	3·84	505	1·2	3·45	0·94	118	99	174	12·5
1952	1,163	10,252	550	132·64	1,350	432·9	14·35	120·48	694	520	746	129·7
1953	1,106	10,094	573	121·52	1,334	592·6	15·28	124·75	738	543	680	124·3
1953, December	1,361	10,585	606	118·79	1,581	815·9	17·04	130·30	833	680	777	159·5
1954, January	1,207	9,796	576	135·20	1,313	772·2	15·74	132·30	840	540	709	94·9
,, February	1,098	9,061	570	127·91	1,214	679·2	15·08	116·81	709	493	637	105·6
,, March	1,326	...	639	128·39	1,586	673·0	17·16	152·04	936	686	804	119·3
,, April	1,188	...	668	137·07	1,472	...	14·50	124·20	...	484	...	...
EXPORTS (f. o. b.)												
1938	30	1,806	128	2·55	468	0·9	2·02	0·88	87	65	154	12·1
1952	900	10,212	483	118·04	1,409	149·9	8·41	72·02	660	337	674	84·7
1953	1,099	9,414	508	117·24	1,542	282·1	9·50	77·50	717	303	637	92·4
1953, December	1,367	9,874	521	125·06	2,096	469·6	10·00	94·79	681	321	709	139·6
1954, January	1,041	9,593	477	120·17	1,502	441·3	8·14	75·38	758	303	585	73·8
,, February	1,203	7,663	492	130·61	1,508	332·9	8·02	81·01	621	311	489	76·8
,, March	1,342	9,450	576	122·53	1,932	257·1	9·69	88·87	792	360	600	100·2
,, April	1,334	10,043	506	127·37	1,662	...	8·13	78·40	...	333	...	...
BALANCE												
1938	− 20	− 116	− 7	− 1·29	− 37	− 0·4	− 1·43	− 0·06	− 31	− 33	− 20	− 0·4
1952	− 263	− 39	− 67	−14·60	+ 59	−283·0	− 5·94	−48·46	− 34	− 183	− 72	− 45·0
1953	− 7	− 680	− 65	− 4·28	+ 208	−310·5	− 5·78	−47·25	− 21	− 240	− 43	− 31·9
1953, December	+ 6	− 711	− 85	+ 6·27	+ 515	−346·3	− 7·04	−35·51	− 152	− 359	− 68	− 19·9
1954, January	− 166	− 203	− 99	−15·03	+ 189	−330·9	− 7·60	−56·92	− 82	− 237	− 124	− 21·1
,, February	+ 105	− 1,398	− 78	+ 2·70	+ 294	−346·3	− 7·06	−35·80	− 88	− 182	− 148	− 28·8
,, March	+ 16	...	− 63	− 5·86	+ 346	−415·9	− 7·47	−63·17	− 144	− 326	− 204	− 19·1
,, April	+ 146	...	− 162	− 9·70	+ 190	...	− 6·37	−45·80	...	− 151	...	...
VOLUME OF EXTERNAL TRADE (3) **(1953 = 100)**												
IMPORTS												
1938	266	93	118	102	249	...	79	92	118	100	94	91
1952	217	121	147	129	241	...	98	158	132	128	118	220
1953	207	126	169	130	271	...	111	174	157	141	117	217
1954, January	220	133	...	146	282	...	...	...	195	145	125	152
,, February	205	117	...	137	261	...	...	...	151	129		189
,, March	261	154	...	136	343	...	...	...	207	179		225
,, April	239	...	...	149	316	...	...	...	...	147	...	...
,, May	...	...	...	...	...	...	...	...	...	...	...	...
EXPORTS												
1938	147	110	139	125	530	...	136	125	156	123	111	107
1952	202	138	186	209	670	...	168	140	256	141	134	150
1953	270	151	208	221	783	...	188	152	292	144	142	182
1954, January	259	169	...	234	779	...	...	...	347	146	125	168
,, February	315	133	...	254	779	...	...	...	276	151		182
,, March	343	164	...	238	1,014	...	...	...	361	169		230
,, April	326	...	...	250	886	...	...	...	...	176	...	...
,, May	...	...	...	...	...	...	...	...	...	...	...	...

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

Financial Statistics

EXCHEQUER RETURNS

For the week ended July 31st there was an "above-line" surplus (after allowing for Sinking Funds) of £12,821,000 compared with a surplus of £9,864,000 in the previous week and a surplus of £33,325,000 in the corresponding period of last year. This brought the cumulative deficit to £123,764,000 (£151,198,000 in 1953-54). Net expenditure "below-line" absorbed £5,791,000 bringing the total cumulative deficit to £268,807,000 (£320,209,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Aug. 1, 1953	April 1, 1954 to July 31, 1954	Week ended Aug. 1, 1953	Week ended July 31, 1954
Ord. Revenue					
Income Tax	1990,000	333,839	317,770	20,622	22,275
Sur tax	132,000	25,900	25,200	900	900
Death Duties	164,375	58,800	59,800	3,700	3,700
Stamps	65,000	17,900	22,700	1,300	1,600
Profits Tax & E.P.T.	172,000	62,400	51,800	3,900	8,200
Excess Profits Levy	60,000	17,850	30,000	900	3,200
Special Contribution and other Inland Revenue	1,000	350	450	...	...
Total Inland Rev.	2384,375	517,019	507,720	31,322	38,875
Customs	1062 500	354,251	370,329	20,699	23,000
Excise	719,000	226,685	224 375	32,755	27,865
Total Customs and Excise	1781,500	580,936	594,704	53,454	50,865
Motor Duties	77,000	10,087	11,048	829	847
Broadcast Licences	21,000	3,900	4,700	900	850
Sundry Loans	24,000	6,201	5,842	...	...
Miscellaneous	245,000	43,887	36,676	15,768	713
Total	4532,875	1182,030	1160,690	102273	92,150
Ord. Expenditure					
Debt Interest	570,000	169,854	151,517	17,380	1,975
Payments to N. Ireland Exchequer	51,000	14,920	15,108	...	2,051
Other Cons. Fund	10,000	4,167	3,847	38	19
Supply Services	3855,399	2115,186	1104,269	50,750	75,194
Total	4486,399	1304,128	1274,741	68,168	79,239
Sinking Funds	36,000	9,102	9,713	780	90
"Above-line" Surplus or Deficit	—	—	—	+	+
		181,188	123,764	33,325	12,821
"Below-line" Net Expenditure		169,011	145,043	8,136	5,791
		—	—	+	+
Total Surplus or Deficit		320,209	268,807	25,189	7,030
Net Receipts from:					
Tax Reserve Certificates		81,509	156,320	16,204	17,634
Savings Certificates		8,000	4,900	— 600	100
Defence Bonds		—23,346	— 8,402	— 758	— 425

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
Aug. 1	3,250·0	1,424·3	227·0	2·8	4,904·0
1954					
May 1	3,230·0	1,350·2	287·2	...	4,867·4
" 8	3,240·0	1,272·2	266·9	...	5,134·2
" 15	3,260·0	1,627·9	276·8	...	5,164·7
" 22	3,290·0	1,595·7	305·0	...	5,190·6
" 29	3,320·0	1,579·8	270·6	...	5,170·4
June 5	3,340·0	1,274·1	278·9	...	4,893·1
" 12	3,320·0	1,332·8	274·6	...	4,927·5
" 19	3,300·0	1,372·1	296·1	...	4,968·2
" 30	4,700·0		268·6	3·3	4,971·8
July 10	3,280·0	1,432·5	260·2	...	4,972·7
" 17	3,260·0	1,411·6	267·2	...	5,038·8
" 24	3,270·0	1,432·2	281·6	...	5,043·9
" 31	3,270·0	1,465·5	263·1	...	5,018·7

THE MONEY MARKET

Credit conditions in Lombard Street turned tighter at the end of last week; on Thursday considerable stringency was caused by heavy tax transfers, and despite moderate special purchases made by the authorities, both directly and indirectly through the banks, the close was difficult. Further special purchases were necessary on the succeeding days. After the holiday, however, credit supplies became more plentiful; on Wednesday indeed there was a marked surplus of funds left unlent.

The market maintained its bid at £99 12s. 2d. for the fourth week in succession at last Friday's Treasury bill tender. The offer was raised to £240 million, and as total applications fell by £9 million to £414.2 million, the market secured an increase, to 39 per cent, from the abnormally low rate of allotment of 34 per cent that had obtained in the preceding two weeks.

Business in the London gold market was transacted at a new record price of 249s. 1½d. per ounce at the fixing on Friday before the weekend. Subsequently a falling off in demands reduced the price to 249s.

The Bank return shows an outflow of notes of £1.1 million. This brings the total outflow since the end of June to £69.5 million, compared with £53.5 million in the corresponding five weeks of 1953. Government securities in the banking department rose in the week by £4.5 million and bankers' deposits by £4.6 million.

LONDON MONEY RATES

	%		%
Bank rate (from 31/5/54)	3	**Discount rates**	
		Bank bills: 60 days	1⅝
Deposit rates (max)		3 months	1⅝
Banks	1½	4 months	1⅝
Discount houses	1½	6 months	1⅝
Money—Day-to-day	1½–1⅝	Fine trade bills:	
Short periods	1½–1⅝	3 months	2½–3
Treas. bills 2 months	1⅝	4 months	2½–3½
3 months	1⅝	6 months	3 –4

BANK OF ENGLAND RETURNS

(£ million)

	1953 Aug. 5	1954 July 28	1954 Aug. 4
Issue Department:*			
Notes in circulation	1,598·5	1,715·8	1,716·9
Notes in banking dept.	26·9	34·5	33·4
Govt. debt and securities*	1,621·8	1,746·3	1,746·3
Other securities	0·7	0·7	0·7
Gold coin and bullion	2·9	3·4	3·4
Banking Department:			
Deposits:			
Public accounts	19·8	14·8	15·3
Treasury special account	38·4	10·2	10·8
Bankers	262·2	269·1	275·7
Others	67·8	71·3	67·0
Total	388·2	365·4	366·2
Securities:			
Government	342·3	324·9	329·4
Discounts and advances	9·6	8·2	5·8
Other	25·3	13·8	13·5
Total	377·2	346·9	348·9
Banking department reserve	29·4	36·8	35·7
"Proportion"	7·5 %	10·0 %	9·7 %

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,725 million to £1,750 million on July 28, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s.	d.	Allotted at Max. Rate* %
1953						
July 31	250·0	395·5	250·0	46	11·66	48
1954						
April 30	230·0	437·5	230·0	40	11·36	38⅓
May 7	240·0	406·6	240·0	40	10·84	42
" 14	260·0	391·7	260·0	34	1·75	50
" 21	270·0	400·7	270·0	34	3·24	54
" 28	270·0	426·8	270·0	34	3·33	49
June 4	270·0	414·3	250·0	32	11·61	58
" 11	260·0	418·3	250·0	32	3·56	57
" 18	260·0	400·4	250·0	31	7·57	66
" 25	280·0	426·0	260·0	32	1·48	58
July 2	270·0	384·0	270·0	32	3·41	60
" 9	270·0	396·2	250·0	31	3·90	65
" 16	240·0	433·1	240·0	31	2·27	34
" 23	230·0	423·1	230·0	31	2·52	34
" 30	240·0	414·2	240·0	31	2·80	39

* On July 30th tenders for 91 day bills at £99 12s. 2d. secured about 39 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £240 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates Aug. 4	Market Rates: Spot July 29	July 30	July 31	Aug. 3	Aug. 4
United States $	2·78–2·82	2·81⅛–2·81⅛	2·81⅛–2·81⅛	2·81⅛–2·81⅛	2·81⅛–2·81⅛	2·81⅛–2·81⅛
Canadian $	...	2·74⅛–2·74⅛	2·74–2·74⅛	2·74–2·74⅛	2·74–2·74⅛	2·73⅝–2·73⅝
French Fr.	973·65–987·35	984½–984½	984½–984½	984½–984½	984½–984½	984½–984½
Swiss Fr.	12·15⅝–12·33⅝	12·20½–12·20⅝	12·20½–12·21	12·20½–12·20⅝	12·20½–12·20⅝	12·20½–12·20⅝
Belgian Fr.	138·95–141·05	140·07½–140·12½	140·05–140·10	139·95–140·00	139·95–140·00	139·95–140·00
Dutch Gld.	10·56–10·72	10·62½–10·62½	10·62½–10·62½	10·62½–10·62½	10·62½–10·62½	10·62½–10·62½
W. Ger. D-Mk.	11·67½–11·84½	11·72½–11·72½	11·72½–11·72½	11·72½–11·72½	11·72½–11·72½	11·72½–11·72½
Portuguese Esc.	79·90–81·10	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05
Swedish Kr.	14·37½–14·59½	14·52½–14·52½	14·52½–14·52½	14·52½–14·52½	14·52½–14·52½	14·52½–14·52½
Danish Kr.	19·19½–19·48½	19·40–19·40½	19·40–19·40½	19·40–19·40½	19·41½–19·42	19·41–19·41½
Norwegian Kr.	19·85–20·15	20·01–20·01½	20·01–20·01½	20·01–20·01½	20·01–20·01½	20·01–20·01½
One Month Forward Rates						
United States $		½c. pm–par	½c. pm–par	½c. pm–par	½c. pm–par	½c. pm–par
Canadian $		⅜–½c. dis	½–¾c. dis	½–¾c. dis	½–¾c. dis	½–¾c. dis
French Fr.		7 dis	9 dis	9 dis	9 dis	9 dis
Swiss Fr.		1c. pm–par	1c. pm–par	1c. pm–par	1c. pm–par	1c. pm–par
Belgian Fr.		½ pm–par	½ pm–par	½ pm–par	½ pm–¼ dis	½ pm–¼ dis
W. Ger. D Mk.		Par–½pf. dis	¼pf. pm–½pf. dis	¼pf. pm–½pf. dis	¼pf. pm–½pf. dis	¼pf. pm–½pf. dis
Dutch Gld.		1–1c. pm	1–1c. pm	1–1c. pm	1–1c. pm	1–1c. pm
Swedish Kr.		1½–1⅝ pm	1½–1⅝ pm	1½–1⅝ pm	1½–1⅝ pm	1½–1⅝ pm
Danish Kr.		3–7/8 dis	3–7/8 dis	3–7/8 dis	3–7/8 dis	2–6/8 dis
Norwegian Kr.		1⅝ pm–1⅝ dis	1⅝ pm–1⅝ dis	1⅝ pm–1⅝ dis	1⅝ pm–1⅝ dis	1⅝ pm–1⅝ dis
Gold Price at Fixing						
Price (s. d. per fine oz.)		249/1	249/1½	...	249/0½	249/–

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Head Office:

BARTHOLOMEW LANE, LONDON, E.C.2

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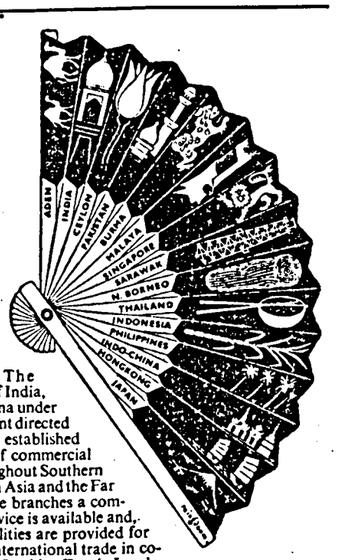
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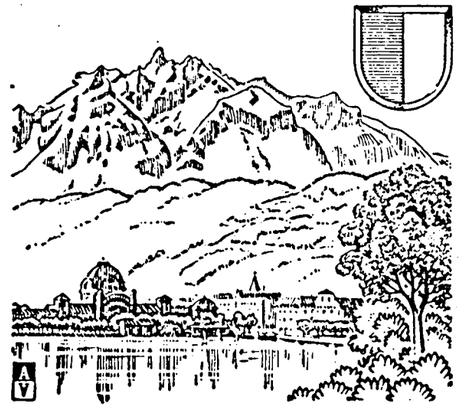
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Reserves	Swiss Francs	65,000,000
Total Assets	Swiss Francs	2,169,495,737

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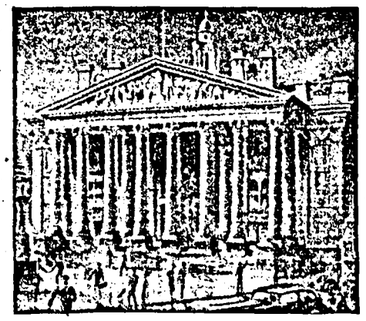
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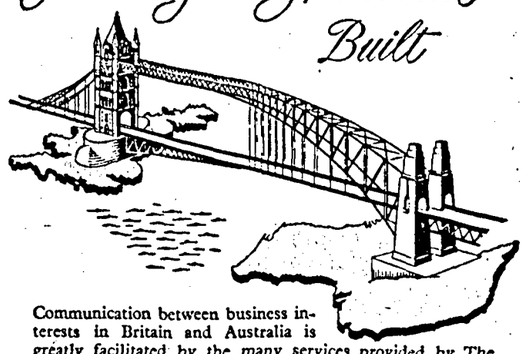
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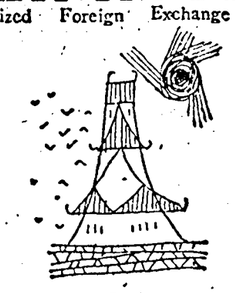
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Reserve Funds ...	...	Pak Rs. 10,000,000
Deposits as on Dec. 31, 1953		Pak Rs. 372,700,000

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COMPANY MEETINGS

WHITBREAD AND COMPANY, LIMITED

REASONS FOR IMPROVED PROFITS

DEMAND FOR HIGHER-QUALITY BEERS

MR W. H. WHITBREAD ON THE OUTLOOK

The annual general meeting of Whitbread and Company, Limited, was held on July 30th at the Brewery, Chiswell Street, London, E.C., Mr W. H. Whitbread, Chairman and Managing Director, presiding.

The Secretary, Mr T. H. Hunt, read the notice convening the meeting and Mr S. H. Mearms, representing Messrs Whinney, Smith & Whinney, read the report of the auditors.

The following is the Chairman's statement circulated with the report and accounts for the year to December 31, 1953:

At the end of my report last year I said that in spite of difficulties and increased competition we looked forward with confidence to the future. As you may imagine, this confidence in the future was not entirely guess work as I was aware that, owing to various circumstances working in our favour, your Company was going to have a good year in 1953.

FAVOURABLE FACTORS

The management, however, are unable to claim that the good results are entirely due to their skill. Your Company has been fortunate this year in that there have been a series of factors which have favoured this year's accounts more than other years:

1. We have bought our raw materials at a more reasonable price.

2. The capital invested in new equipment throughout the business is now proving its worth.

3. The redeployment of our distribution stores at considerable capital cost has begun to show economies.

4. The general trend of public demand towards higher quality and higher priced bottled beers has favoured your Company.

5. Large sums previously provided for taxation in respect of the wartime EPT period will not now be required and have been credited in the accounts.

RESULT OF YEAR'S OPERATIONS

You will notice from the accounts that the profit of the parent company for the year, after providing for taxation, amounts to £931,532, which is an increase of £265,908 over the previous year. The consolidated accounts also show an improvement; the profit for the year after providing for taxation has, for the only time in the history of the Company, exceeded £1 million at £1,029,876, an increase of £306,014. You will also notice that the charge for taxation has increased by £377,785.

The parent company's claim for deferred repairs has now been agreed with the revenue authorities and, as a result, it has become apparent that no further payment of taxation in respect of the war period will be needed. The remaining provision of £300,059 is, therefore, no longer required and accordingly this sum appears in the profit and loss account as an exceptional credit and has been transferred to the general reserve.

ISSUED CAPITAL

For some time past, your directors have considered that there was far too large a difference between the issued nominal capital of the Company and the value of the free assets, so decided a few months ago to capitalise just over £1½ million standing to the credit of the general reserve account and distribute it in the form of ordinary shares; as a result existing shareholders received one new free share for every two held. Consequently, the issued share capital is now more in line with the amount of capital permanently employed in the business.

From the consolidated balance sheet it will be noted that the current assets amounting to £9,753,703 exceeded the current liabilities by £5,130,447; free reserves and undistributed profits amount to £5,850,630 compared with £5,048,603 for last year and exceed the issued ordinary capital of the company by over £2,750,000.

COMPARISON WITH 1949

The following comparative figures for the group between 1949, the first full year after ordinary stock of the Company became available to the public, and 1953, may be of interest:

	1949	1953
	£	£
Turnover	17,000,000	21,547,507
Gross earnings before taxation	1,380,331	2,471,853
Taxation	730,056	1,441,977
Net earnings after taxation	650,275	1,029,876
Amount available to Ordinary Stockholders after providing for Preference Dividends and Minority Interests	621,693	1,001,201
Distribution to Ordinary Stockholders	253,539	532,432
Retained in business	368,154	468,769
Non-recurring profits retained in business	93,920	333,380

CASH POSITION

During the year for various reasons the total of the parent company's cash and Government securities increased by over £420,000 to £3,114,000.

This is satisfactory, but it must be remembered that heavy liabilities for taxation and expenditure on properties will have to be met in the course of the next two or three years. We have continued to make trade investments for the purpose of expanding the sales outlets for our commodities.

DIVIDEND POLICY

You will observe that an unusual course has been taken in that the dividend is being declared on the whole of the present increased capital rather than on that existing at the end of the financial year. After such a particularly fortunate year, your directors take an especially conservative view of distribution of profits, ignoring any windfalls such as provisions not required for taxation, and after distributing a bonus to the staff and employees, are recommending a declaration of a dividend equivalent to 53 per cent of the profits earned.

BOTTLED BEER DEMAND

The policy of the Company over a great number of years has been to sell high quality bottled beers in as many outlets as possible, however small, all over the country and abroad. As the public become more selective and travel more about the country, almost all progressive traders, including over 100 brewery companies, are finding it commercially to their advantage to sell our bottled beers in their houses and off-licences. They find that, apart from the attractive profit they make on their sale, the stocking of Whitbread's Pale Ale and Mackeson's Stout tends to bring more customers into their houses and so to increase the sale of their own beers. It may well be that the increased prosperity of clubs is due in some measure to the fact that almost without exception they are able to offer the wider range of products that their members demand.

Since the end of the period covered by the accounts, an agreement has been made with Truman Hanbury Buxton & Company, Limited to sell certain of our respective bottled beers in each other's houses. In connection with this trading agreement, each Company has purchased and is now holding a small proportion of the other Company's stock. We believe that this agreement will be of mutual trading advantage.

It has always been the policy of your Company to bottle all its own beer: that means a substantial contribution to hygiene as all our bottles are washed and sterilised under our own supervision, in our own factories. In these days, with the growing public demand for cleanliness in food, it is a matter that is not without interest.

This policy of being directly responsible for the production of our beer from when it is brewed until when it is drunk, involves large capital expenditure and high costs in technical supervision. We are convinced, however, that the steadily increasing demand for our bottled beers may be attributed to the success of our efforts to produce not only a very good drink but a very clean drink.

FUTURE OF THE BREWING INDUSTRY

The future success of the brewing industry depends on the quality of service it gives to the public, on the quality of the beer it produces and on the prosperity of the public to enable them to afford to buy our heavily taxed commodities. I make no excuse in again drawing your attention to the serious and unfair competition we are up against owing to the continuance of the present high rate of Beer Duty.

Owing to the social changes in the last twenty years, our customers have many more attractions on which to spend their money. All these attractions carry considerably less purchase tax than that levied on beer. Purchase tax on beer (Beer Duty) averages over 160 per cent, while articles such as television and radio sets, electric fires, etc., bear only a 50 per cent tax. If Beer Duty could be reduced to even 100 per cent we would have a reasonably fair chance of competing with other trades.

One of the chief reasons given for increasing purchase tax was to control inflation, in other words, for the Government to spend the citizen's money instead of allowing him to spend it for himself. There is no doubt in my mind that if a Government raises money for taxation it spends it all, every penny, but there is, even nowadays, a chance that a citizen may save money if given the opportunity to do so. Purchase tax on beer to control inflation is absurd.

EXPORT

We have continued to push our export trade as it has been our traditional policy to establish a position whereby a customer can obtain our beer on demand anywhere throughout the world. Although export trade is becoming more and more difficult, we have been fortunate in meeting with a certain amount of success. In 1953 we enjoyed an all time record for export sales which has given everyone in the Company concerned with these highly competitive markets well deserved encouragement.

TRADING CONDITIONS

Times and conditions have changed during the last twenty years and especially in our industry. Many years ago a man was content to stand up in a bar with sawdust on the floor and drink large quantities of cheap strong beer. In 1954, however, a man and his wife expect to drink their beer under the most hygienic conditions and in comforable and even luxurious surroundings. We must adjust ourselves to this new state of the market and to the fact that the customer is willing to pay for the much better conditions he demands.

Today a very considerable quantity of beer is consumed in the home, a habit which has become even more popular with the spread of television. Bottled beer for home consumption, which is apt to be kept for some time before being drunk, requires particular qualities; for these again the discriminating public is prepared to pay full value. Now that an increasing amount of beer is drunk at home, every on-licensee will need to become enthusiastic about off sales, so as to maintain his turnover.

We are all glad to see the rising standard of living, and the brewer who takes note will be rewarded by the public's demand for his quality bottled beers and improved conditions of service for which they will be willing to pay a higher price.

THE BOARD

A few years ago, shortly after I had become chairman of the Company, Mr G. K. Dunning, who had suffered continual ill health as a result of a bad accident many years ago, asked whether he could be relieved of his duties as a managing director. I asked him as a personal favour if he would remain on the board to help us through the next few difficult years. This he has done in spite of bouts of ill health and we are particularly grateful to him. He has now reached the age of sixty and has requested to retire. We can congratulate ourselves on our good fortune in having had his services for so long as a managing director, especially in looking after the human side of our affairs. We wish him a long and happy retirement. We shall all here miss him very much.

THE STAFF

We are indeed fortunate in having a first rate staff and the success of the Company is largely due to their efforts and particularly the way they all co-operate together as a team. Your board realise what a pleasure it is to work with them and share their enthusiasm.

THE FUTURE

We all admit we have had a fortunate year and therefore in looking to the future we must take a cautious view. Like all other trades dependent on the weather, we are only too well aware that the weather so far this year has been deplorable; this is emphasised by the fact that the beer trade for the country for the first three months of 1954 showed a decline of nearly 8 per cent, and as I write this I cannot see that since then there has been any particularly good weather to readjust the position.

We cannot anticipate such successful results in the present trading year as we had in 1953. But, bearing in mind the extent to which our industry is susceptible to unexpected changes in political outlook and our curiously variable climate, we hope over a period of years at least to maintain our position in the industry.

The report and accounts were unanimously adopted; the proposed final dividend of 15½ per cent on the ordinary stock, less tax, making 21 per cent for the year, was approved; the retiring director, Sir Sydney Nevile, was re-elected and the remuneration of the auditors, Messrs Whinney, Smith & Whinney was fixed.

HENDERSON'S TRANSVAAL ESTATES

The forty-second annual general meeting of Henderson's Transvaal Estates, Limited, was held on August 4th in London.

Sir Joseph Ball, KBE (chairman and managing director), in the course of his speech said:

The profits, after payment of tax, amounted to £45,689 as compared with £46,704 during the previous year. The consolidated net earnings amounted to £76,051.

Current assets at £597,901 exceed current liabilities amounting to £185,974 by approximately £412,000,

This company's South African coal interests are held through its subsidiary—Tweefontein United Collieries, Limited—and shareholders will probably regard as satisfactory the fact that the accounts of the latter company for the year ended December 31, 1953, show a profit on coal of £169,500, an increase of £1,500 on the figures for the preceding year.

Coal sales, however, at 1,279,600 tons show a decrease of 37,600 tons during the same period, the decrease being due partly to transport difficulties and partly to a shortage of labour for loading. I am glad to say that this labour shortage has now been remedied, and that some improvement is also manifest in the transport situation.

White's South African Portland Cement Company, Limited: This company, in which we hold a very substantial investment, enjoyed another successful year. For the twelve months ended November 30, 1953, the total deliveries again amounted to 519,000 tons. We have every reason to be satisfied with our substantial holding in this company's shares.

The report and accounts were adopted and the dividend of 15 per cent approved.

METAL CLOSURES, LIMITED

RECORD RESULTS

The eighteenth annual general meeting of Metal Closures, Limited, was held on July 29th at West Bromwich.

Mr W. V. Esperson (the chairman) presided, and in the course of his speech, said: The group profit amounts to £227,000—the highest in the history of the company. The number of closures made and delivered and their invoiced values were also records. The increase in the group profit over last year is £33,411 or 17.24 per cent.

Our factory in South Wales is working most efficiently; it is now a comparatively low cost producer, and so far this year has shown very satisfactory profit figures.

During 1951 our capital expenditure was approximately £75,000, and during the year 1952 about £90,000—a total of £165,000: Most of this outlay was in respect of manufacturing plant and sealing machines, and our record profit for 1953 is largely due to the capital expenditure during the two previous years, coupled with, I may say, increased business due to ever-growing recognition of the excellent utilitarian qualities of our products and the energetic efforts of our sales staff.

During the year under review the post-war difficulty in obtaining an adequate supply of our principal raw material, aluminium, ceased to exist; and I believe that, at least for the next few years, it will be in plentiful supply.

For 1952, the gross profit amounted to £193,700. This, together with the profit for 1953 of £227,000 makes a total of £420,700 for the two years, but all that will be left to the shareholders, after taxation has taken its toll, is about £125,000, or just under 30 per cent. As one well-known daily newspaper pertinently remarked when commenting upon our financial figures: "How much longer can industry continue competitive and strong under such a weight of taxation?"

Early this year we entered into an agreement with the Corporation of West Bromwich to lease for a period of 99 years some building land adjacent to our West Bromwich factory; on this land we are now proceeding to erect a new factory which we anticipate will be completed early in 1955. Another matter of interest is that, in order to keep pace with the demand for our products and improve our dates for deliveries, we have this year placed orders for new manufacturing plant to the value of about £30,000, and by the end of this year we estimate we will have spent about £30,000 on new sealing machines for our customers.

We have to date orders on our books representing, comparatively, a greater volume of business than we have ever had before, and we believe that these orders represent the current requirements of our customers. A few years ago it was pretty generally believed that our domestic market had reached saturation point; this belief was due mainly, I think, to the fact that we were then dealing principally with the food industry. Fortunately, that belief has proved to be completely erroneous, and today, while we are steadily increasing the number of our food-packing customers, we are also obtaining many customers in other branches of industry—one of the most important being the wine and spirit trade—and I feel reasonably sure that our business will continue generally to expand, with, I hope, satisfactory financial results.

The report was adopted and the dividend of 40 per cent approved.

COLTHROP BOARD AND PAPER MILLS, LIMITED

RECORD PRODUCTION AND PROFITS

DISTRIBUTION RAISED TO 35 PER CENT

MR FRANK W. J. SMITH'S STATEMENT

The thirty-sixth annual general meeting of Colthrop Board and Paper Mills, Limited, was held on July 29th at the registered office of the company, Thatcham, Berks, Mr Frank W. J. Smith (chairman and managing director) presiding.

The secretary (Mr K. L. Collings) read the notice convening the meeting, and Mr W. H. Woods, of Messrs Deloitte, Plender, Griffiths and Co., the auditors, read the report of his firm.

The following is the chairman's statement which was circulated with the annual report and accounts:

In presenting the report of the directors and the accounts for the year ended May 31, 1954, I am pleased to inform you that the profit of £528,717, subject to taxation, constitutes a fresh record in the history of your company. Taxation (which includes excess profits levy of £57,000 for the final period for which the tax is payable) amounts to £338,655, leaving a net profit for the year of £190,062. There remains to be added to this amount over-provisions for tax during previous years of £69,190, so that with the balance of £41,911 brought forward from last year, and after deducting the net cost of the interim dividend of £25,733, there remains a disposable balance of £275,430.

RESERVES INCREASED

The directors propose, in view of the excellent results, to recommend an increased final dividend of 25 per cent, the net cost of which will be £64,332, to transfer the sum of £168,000 to general reserve and to add a further £3,000 to the employees' benefit fund. It will be seen from the balance sheet that the former reserve for replacements of £30,254 and the stock reserve of £32,000 have been transferred to general reserve. As it is obviously not possible to calculate the precise amount needed to cover the increased cost of replacements, it has been considered advisable to transfer the reserve for replacements to general reserve. Moreover, the stock reserve is no longer needed in view of the steadier prices of raw materials, which have shown a slight tendency to harden. The general reserve will now total £500,264.

The current assets as shown by the balance sheet have been further strengthened, having increased by £167,996 to £1,108,469 as compared with £940,473 last year, and the net surplus of current assets over current liabilities has increased by £235,268 to £635,159.

The company has, since 1945, financed entirely out of profits the capital expenditure on buildings and plant and equipment of £609,210. This sum has been spent to a large extent in replacing out-of-date preparatory plant with the result that the mill is now well equipped in this respect.

ERECTION OF NEW BOARD MILL

I am pleased to report that throughout the year our machines have been running at full capacity, a greater tonnage having been produced than ever before in the company's history. Your directors are satisfied, therefore, that a further board machine should be installed to meet the increasing demands of our associated companies, Cropper and Company, Limited, and Containers, Limited, and of our other customers. Plans are well advanced to carry out this project, estimated to cost approximately £3,150,000 over the next three years, which is the time it will take to erect the new mill. As you will see from the directors' report, until the new mill is in production short term loans have been arranged which will enable us, together with our own resources, to meet the expenditure occasioned by the erection of the new mill and machine. The borrowing powers of the directors will accordingly require to be increased and a resolution to this effect will be placed before the shareholders at the annual general meeting.

In connection with this proposed expenditure it is satisfactory to know that we should receive a substantial benefit from the investment allowance on new buildings and plant proposed in the recent budget.

Our decision to install the new machine has already received the support of many of our customers and shareholders, and I feel sure that the step we are taking is a step in the right direction. Our order books remain full and in the absence of unforeseen circumstances the results for the current year should again be satisfactory.

The figures disclosed in the accounts could not have been achieved without the wholehearted support and co-operation of my co-directors, staff and employees, and my personal thanks are due to them for their efforts during the year.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the chairman said: Ladies and gentlemen,—as the report and accounts have been in your hands for the requisite time, we will, with your permission, take them as read. (Agreed.)

There are two matters concerning the future of our company to which I should like to refer. We have now received the consent of the Capital Issues Committee to the financial arrangements necessary in connection with the erection of the new mill, but a further application to the Committee will be necessary, since we are arranging for our borrowings to be placed on a permanent basis, details of which I am giving you in a moment. Our decision to erect the mill was made after the most careful consideration, and is in our view essential for the future development of the company. In fact, it is vital that we should increase our manufacturing capacity if we are to maintain the high position we hold in the industry.

ASSOCIATION WITH ALBERT E. REED & CO.

Since the publication of our report and accounts we have been approached by Albert E. Reed and Company, Limited, with a view to that company becoming associated with our company, and satisfactory terms have been arranged, as announced in the Press yesterday. These terms are subject to the approval of the necessary resolutions by our shareholders. We have agreed that our company will allot to Albert E. Reed and Company Limited, for cash, 105,000 ordinary shares of £1 each at the price of £5 5s. per share, and that Albert E. Reed and Company Limited will subscribe or procure subscriptions to an issue by the company of £1,500,000 4½ per cent unsecured loan stock.

Our associated company, Cropper and Company, Limited, will also be allotted an additional 25,000 shares at the same price as the shares to be allotted to Albert E. Reed and Company Limited.

The terms of the above agreement provide that Albert E. Reed and Company Limited give us a long term contract for the supply of a substantial quantity of board, to commence when the new mill is in production.

CONTROL AND MANAGEMENT UNCHANGED

I should like to emphasise the fact that apart from the election of two directors of the Reed Group to the board, the control and management of our company will remain unchanged. In my opinion, our association with Albert E. Reed and Company Limited cannot fail to be of the utmost benefit to our company in the future, and I and my colleagues on the board wholeheartedly welcome their association with us.

I think the statement covers most of the information that you require, but I would just mention that the taxation, amounting to £338,655, is 64 per cent of the profits, and the dividend is covered more than twice.

I now propose to pass to the resolution, after which I shall be very pleased to answer any questions you may wish to ask. I now propose: "That the report of the directors and the accounts of the company for the year ended May 31, 1954, be and they are hereby approved and adopted that a final dividend of 25 per cent, less income tax, be paid to shareholders registered at the date of this meeting; that £168,000 be transferred to general reserve; that £3,0000 be transferred to employees' benefit fund; and that £40,098, the balance of the profit and loss account, be carried forward."

Mr J. R. Henry, OBE, seconded the resolution, and it was carried unanimously.

The retiring directors (Mr Stuart W. Butters, Mr Hugh V. Dove and Mr Angus Marshall) were re-elected, and the fee of the auditors (Messrs Deloitte, Plender, Griffiths and Company) was duly fixed.

A resolution was also passed authorising the directors to borrow for the purposes of the company a sum or sums not exceeding in the aggregate the sum of £3 million, and to secure the repayment thereof in such manner and upon such terms and conditions in all respects as they shall think fit.

TRIBUTE TO DIRECTORS, STAFF AND EMPLOYEES

Mr Eric Davenport, in proposing a cordial vote of thanks to the chairman, directors, staff and employees of the company, said that in the past year there had been a record tonnage produced, record profits, and, unfortunately, a record payment to the Chancellor of the Exchequer. It was a sad business when a company had a programme in front of them as they now had, to see that tremendous sum of money being taken out of the company when it could be put to vastly better use. However, there was some relief coming in the way of cessation of EPL.

The company had brought forward a fine and imaginative programme of expansion. To propose expenditure of the order of £3½ million was a courageous thing to do, and he was very pleased, and he was sure all shareholders must have been, to see from the Press that not only had the finance been arranged, but there was coming into partnership the firm of Albert E. Reed and Company. He could not think of any better partner in the programme which the company had in mind.

Mr S. R. Greenland, in seconding the motion, endorsed the proposer's remarks in connection with the arrangements that were being made for the future prosperity of the company and paid a special tribute to the chairman. He said that his firm and his family had been associated with the company ever since its very early days and he had seen through the years the drive and energy which Mr Frank W. J. Smith had put into his task.

The motion was carried unanimously.

The chairman, in reply, said he was very pleased that his colleagues and the staff and employees had been included in the resolution, as it took all of them working together to achieve success. He saw no earthly reason why the prosperity of the company should not continue and increase.

The proceedings then terminated.

BANQUE DE PARIS ET DES PAYS BAS

(Paris)

EUROPEAN ECONOMIC SITUATION

The annual general meeting of the Banque de Paris et des Pays Bas was held on June 25th in Paris, with Monsieur Emmanuel Monick in the chair, and the following is a summary of the report presented by the board of directors:

During 1953, the world production of goods and services reached a peak level, while in the second half of the year the first signs of a recession appeared in the United States. No repercussions have yet been felt in Europe, where the year proved to be one of general progress. Dependence on the United States lessened, imports from that country dropped and reserves of foreign currency increased. Liberalisation of trade within EPU progressed during the year, and the EPU agreement itself was extended to June 30, 1955.

BELGIUM, NETHERLANDS, SWITZERLAND AND FRANCE

In 1953, Belgian trade and industry continued to prove their flexibility, the Netherlands went on improving their economic situation and business activity in Switzerland continued at a high level.

France herself continued to benefit from monetary stability during the year, with wholesale and retail prices falling slightly. Confidence, however, the mainspring of economic activity, could not be restored. Production costs remained higher than those abroad, and protective measures had to be maintained.

The bank pursued its policy of stimulating investment during the year, and was associated with the share issues and loans floated by a number of important companies.

THE ACCOUNTS

The balance sheet at December 31, 1953, totalled Frs. 88,602,667,296, as against Frs. 73,452,885,933 in the preceding year.

Net profits for the year amounted to Frs. 582,747,008, as against Frs. 508,013,137 for the previous year. It was proposed to transfer Frs. 75 million to the extraordinary reserve, and to distribute a dividend of Frs. 400 net per share.

The report and the proposals put forward by the board were adopted.

PARKLAND MANUFACTURING COMPANY

GROWING DEMAND

A WELL EQUIPPED ORGANISATION

The fifty-first annual general meeting of the Parkland Manufacturing Company Limited was held on July 30th at Bradford, Mr George F. Hanson (the chairman) presiding.

The following is an extract from his circulated statement:

A year ago I reported with regret that we had been obliged to restrict our sales to maintain reasonable delivery dates. We are still faced with a somewhat similar position because of the growing demand for our cloths, but there should be a material improvement in due course by our acquisition, at the beginning of this year, of five businesses, three of which operate up-to-date mills and plant for the manufacture of cloths similar to those we produce in our other mills.

This year we have taken advantage of an opportunity to bring the date of the accounts of another of our subsidiary companies, Smith Bulmer and Company Limited, up to February 28th, to coincide with the end of our own financial year. The result is that we have this year included in our combined profits the earnings of that company for eighteen months instead of for twelve months as in past years.

Throughout the year our mills have been very busy and our customers' requirements have continued to exceed our output. On the other hand, competition tended to become increasingly keen, resulting in narrower profit margins which, I am pleased to say, have been more than offset by our increased production.

The profits of the group, after charging all expenses, but before taxation, reached the record figure of £751,545. Taxation again absorbed more than half our profits and took £435,486. The amount remaining after taxation, £316,059, was this year augmented by £73,137 for excess provision for taxation in previous accounts, of which £50,600 arises because of the change in the accounting date of our subsidiary company, Smith Bulmer and Company Limited.

CONSOLIDATED BALANCE SHEET

Our various mills and plant have a value in this balance sheet of £966,714, compared with £630,506 a year ago. This increase of over £335,000 is due to capital expenditure on the improvement of our plant and machinery as well as to the acquisition of additional mills and plant.

The total capital reserves and revenue reserves amounted at February 28th last to £1,120,000 against £888,000 a year ago, an improvement of nearly a quarter of a million pounds. The total of these reserves is now over two and three quarter times the nominal value of the ordinary capital.

The board recommend a final dividend on the ordinary shares at the rate of 25 per cent, less income tax, and this, with the interim dividend of 7½ per cent, will maintain last year's total rate of 32½ per cent, but payable this year upon an ordinary capital increased by 50 per cent since the last balance sheet by capitalisation of reserves.

We have always pursued a policy of having the most up-to-date machinery and plant throughout all our mills and, as a result, we are well fitted to meet the keener competition now prevailing.

Over all, the price of wool has a great bearing on our future prospects, and this must never be overlooked, but apart from any risk of a sharp decline in wool values, I am confident that the efficiency of your organisation and the quality and variety of the cloths produced will enable us to show results with which you will not be disappointed.

The report was adopted.

THE AMALGAMATED DENTAL COMPANY, LIMITED

MARKED ADVANCE IN SALES

The forty-ninth annual general meeting of The Amalgamated Dental Company, Limited, was held on July 30th at 26-40 Broadwick Street, London, W., Mr Aiken Watson, QC (chairman of the company), presiding.

The following is an extract from the statement by the chairman circulated with the report and accounts for the year ended December 31, 1953:

When I addressed you last year, your company was then experiencing at home the full impact of the restrictions on national health service imposed in 1951. For example, applications approved for dentures under the service had fallen from 2.3 million in 1951 to 1.35 million in 1952, and the fall appeared to be continuing. Severe competition in certain fields abroad, supported by hidden subsidies, was having a marked effect on our trade. In other parts of our trading territories, import restrictions were still stultifying our efforts. At that time any sudden upsurge in our trade appeared improbable and more than likely to be modest in its incidence.

Happily the last quarter of 1953 saw some diminution in the stocks earlier built up by our customers, reflecting a marked advance in our sales. The removal of some of the more onerous restrictions in the sterling area helped. Despite the handicaps referred to, our foreign markets held, and even improved. Current trading supports this trend. The improvement to which I have referred, together with a vigorous policy of economy and reorganisation still being pursued, has produced results more rapidly than at one time appeared probable.

IMPORTANCE OF RESEARCH

Perhaps in no industry where the outlet for its products is comparably restricted, does research play such an important part. Our acrylic filling material—Sevriton—remains outstanding in its field. In other allied fields our research is unremitting, and preliminary results are encouraging. On the equipment side we are not standing still. Changing techniques are demanding new approaches; work already done and in contemplation gives us confidence in the future.

On the medical side, our subsidiary, Medical and Industrial Equipment Limited, continues in the anæsthetic field to expand on the admitted merit of its products both in the United Kingdom and abroad.

Looking at the broad picture as now seen in the light of current trading, I am confident that, in the absence of any sudden collapse of present economic trends, your company is in sound shape to continue as a profitable enterprise. The continued loyalty and devotion of your managements and staffs at home and abroad are worthy of your praise and thanks, which I gladly render in your name.

The report and accounts were unanimously adopted.

ALLIED SUMATRA PLANTATIONS

The twenty-eighth annual general meeting of Allied Sumatra Plantations, Limited, was held on July 29th in London.

Mr A. L. Mathewson, OBE, chairman of the company, presided, and in the course of his speech said: After providing for depreciation, Indonesian company tax and the new Indonesian Government levy on remittances, a dividend of Rupiah 1,650,000 has been declared in favour of the holding company.

This levy on remittances, introduced after the end of the financial year with which we are dealing, provides a notable illustration of the uncertain conditions under which we have to operate in Indonesia.

In the holding company's profit and loss account the dividend of Rupiah 1,650,000, although as yet unremitted, is brought in at the current exchange rate of Rupiah 32 to £1—ie, £51,562. After providing for UK taxation the year's results do not justify more than the proposed dividend of 5 per cent.

On previous occasions I have enumerated the main factors which have hitherto ruled out the resumption of replanting on any substantial scale. Unfortunately, there has been no real clarification of any of the fundamental issues.

Since our meeting a year ago, conditions in Indonesia as they affect estate producers have unfortunately not improved. In some respects indeed they have deteriorated.

The planned process of internal subversion is made manifest in the instigation by Communist-led unions of incessant strikes, go-slow actions and demands for more and more pay and benefits for less and less work.

In support of such demands stories are put about of fabulous profits said to be earned by estate owners. A brief analysis of the 1953 results of our subsidiaries will provide just one example of the utter falsity of such propaganda; production costs (of which wages and other labour emoluments form the major part), together with Indonesian fiscal exactions of one kind and another absorbed 94 cents out of every rupiah received from the sale of the year's crops, thus leaving only 6 cents eligible for transfer from Indonesia to meet UK taxes and a distribution to stockholders, who carry all the risk. I say "eligible for transfer" advisedly, because in face of the serious state of Indonesia's foreign exchange resources it remains to be seen how applications for remittances are to be dealt with.

The vital problem which confronts responsible Indonesian leaders is how to arrest decline; how to checkmate the designs of Communist imperialism to reduce an independent and potentially highly prosperous Indonesia to the position of satellite or colony. For them it is an immediate and compelling problem; for, especially in view of developments elsewhere in Asia, subversive forces may be expected to exert their maximum efforts and influence in advance of Indonesia's first general election, now scheduled for next year.

With the future of their country so manifestly at stake it should not be too much to hope that patriotic and intelligent Indonesian leaders who are at one in viewing the Communist ideology and subversive aims as alien to the way of life their people wish to follow, may, before it is too late, decide to make common cause in meeting a critical situation by firmly applying the sound administration which is indispensable if financial stability and successful independence are to be achieved.

The report and accounts were adopted.

TEA CORPORATION LIMITED

IMPROVED RESULTS

The ordinary general meeting of the Tea Corporation Limited was held on July 30th in London, Mr E. G. Estall, chairman, presiding.

The following is an extract from his circulated statement: The year to January 31, 1954, produced a made tea crop of 1,592,244 lb from estate leaf, or some 107,000 lb more than estimated. In addition, a further 151,483 lb were manufactured from bought leaf. The average price realised for the whole crop was 43.80d. per lb, as compared with 39.29d. in 1952-53.

Whilst the proceeds of all produce harvested realised £59,539 more than in the previous year, estate costs, Ceylon export duty, freight, wharf charges and brokerage only increased by £9,104, and these figures in the main account for the pleasing results reflected in the net profit for the year of £36,734. The directors recommend a dividend of 20 per cent, less tax.

Addressing the meeting, the chairman said: The results shown by the accounts must have given great satisfaction to shareholders after two rather dismal years.

Sales to date total 507,000 lb, giving a London gross average of approximately 4s. 9d. and a Ceylon gross average of 3s. 10½d. or a combined average of 4s. 6½d. per lb. This compares with 3s. 7½d. for the whole of 1953; in other words 10½d. per lb better for the 507,000 lb sold to date, as compared with the whole of last year.

Your Board are hopeful of declaring an interim dividend in the autumn; they most certainly will if things remain as they are.

The report and accounts were adopted.

Marketing Abroad

If you are seeking new markets abroad or want to know more about your present ones, the quarterly reports by The Economist Intelligence Unit will help you. These reports give concise and up-to-date analyses of economic and business conditions and prospects in other countries, and they contain a wealth of information of value to the exporter and investor. Each report is prefaced by a summary of the main facts and conclusions, and contains a comprehensive statistical appendix supplemented by maps and diagrams.

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39 PORTUGAL
40 SPAIN
41 SWEDEN
42 SWITZERLAND
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44 UNION OF SOUTH AFRICA
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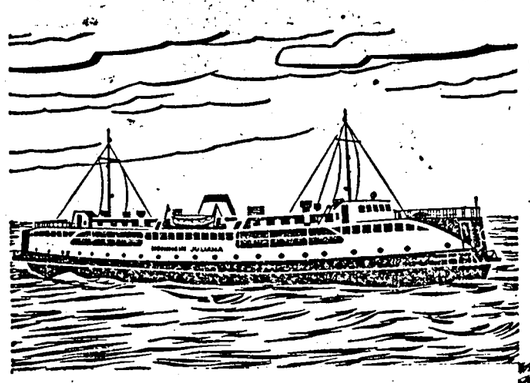
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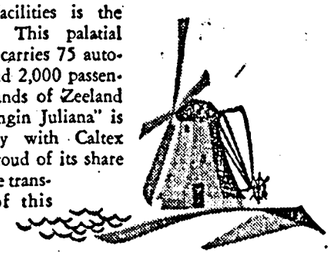
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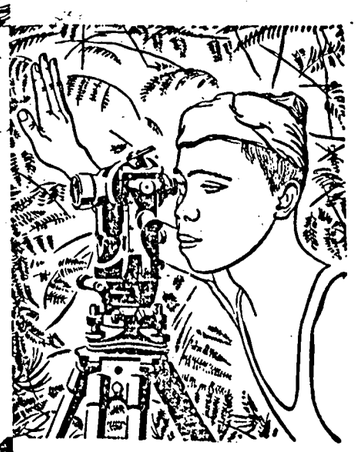


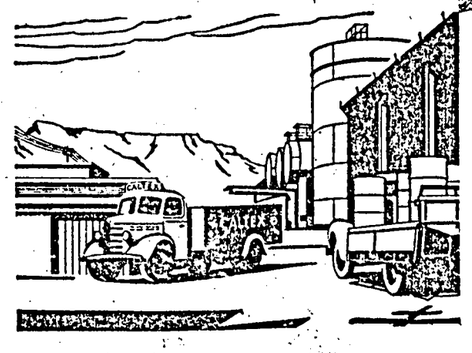
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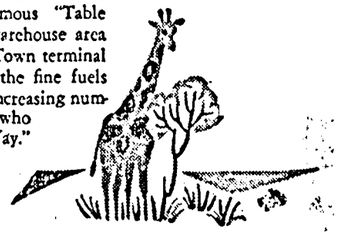


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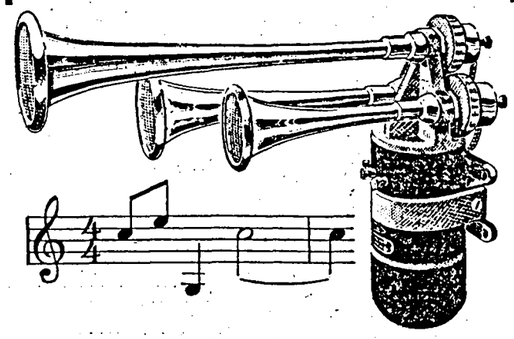
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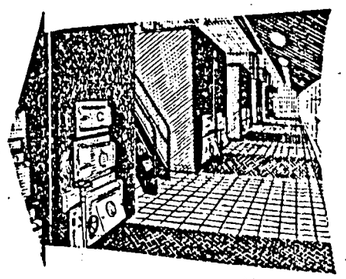
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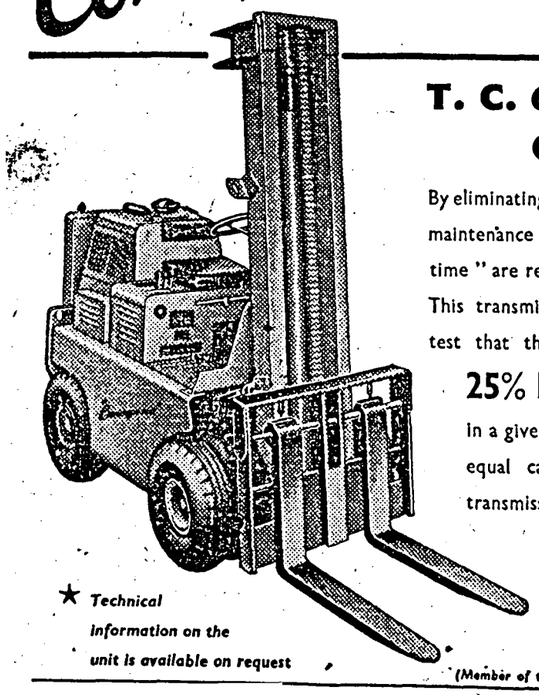
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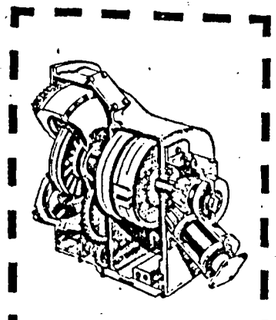


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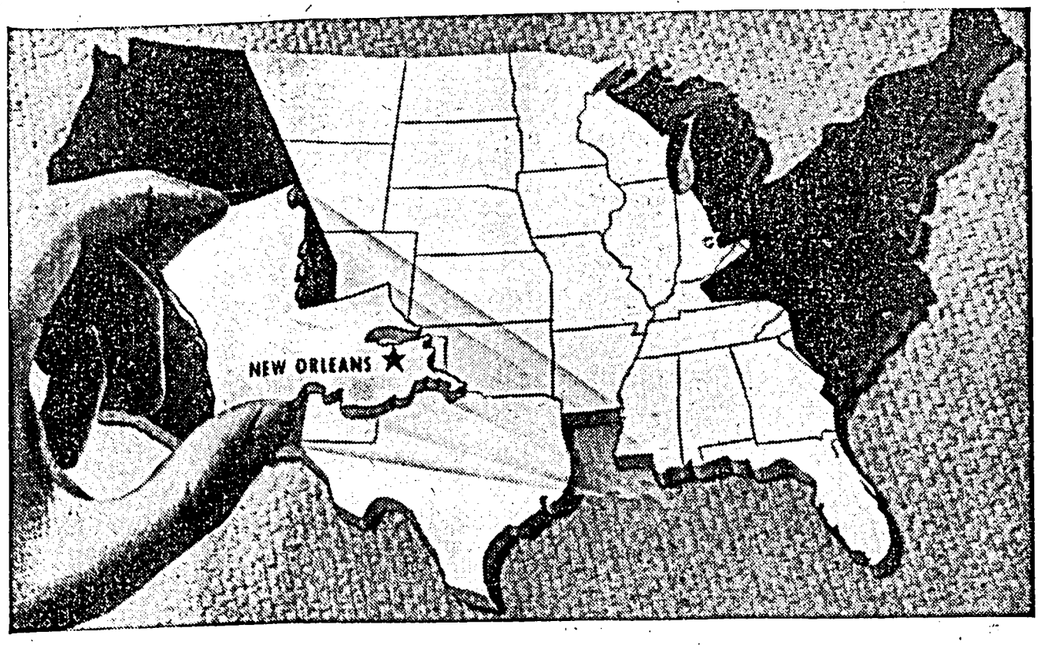


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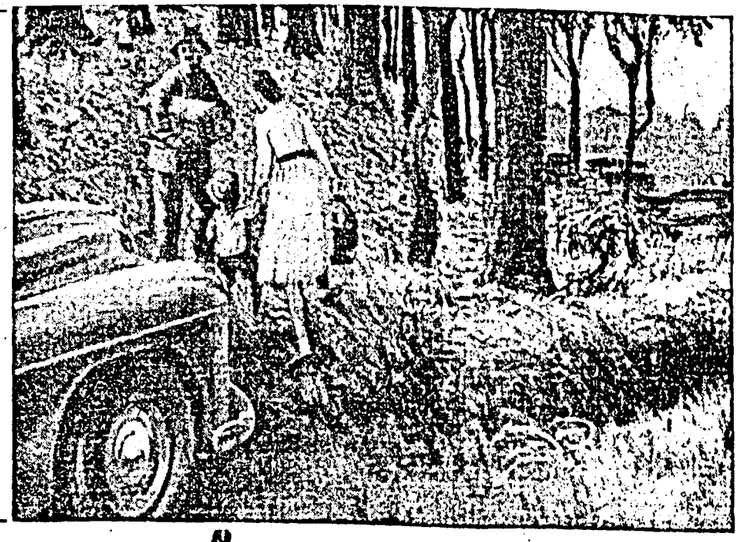
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No More Crises? 493
United Nations Audit 495
A Confusion of Councils 496
Truce in Babel. 498

NOTES OF THE WEEK

Red Carpet from Malenkov; Dr John Makes His Bow; Mendès-France Marches On; A *Tempered Liberalism*; Cows and Chop Suey; Railway Trouble Again?; Wages Front in Flux; Reprieve for Goa?; Egypt, Iraq and *Defence*; The Treaty of Bled; A Maltese Ulster?; A Thousand Babies; Fewer Hands to Fewer Ploughs; China's Sorrow *Still*; Bao Dai Faces the Music; Helmets Against Sombreros; Four Months' Pay Wasted; Towns on the Move. 500

LETTERS TO THE EDITOR . . . 509
BOOKS AND PUBLICATIONS . . 511

AMERICAN SURVEY

Foreign Aid Yet Again 515

Harvest Home; Six in Search of McCarthy; Economic Dynamite?; Independents Break Down; Another Southern Swallow; Confident Consumers; Hindsight About Coffee; Shorter Notes.

THE WORLD OVERSEAS

Strike and Boom in Germany . . 523

Hush over Cyprus; Mr Menzies Makes Some Changes; Two Years of the Schuman Pool; Soviet Attacks on Religion; Japan and the Bomb; Notes From Canada.

THE BUSINESS WORLD

Specialised Ships 533

BUSINESS NOTES

Eternity 3½'s; Mere Mortals Wonder; Values for Anglo-Iranian; Five Dozen Viscounts; Importing Coal; Walsall Comes to Market; IMF and Convertibility; Hire Purchase Jump; The Gnat Flies; Money for Houses; BEA's Renfrew Thistle; Sterling Area Trade; Cable Depreciation Policy; British Banking Overseas; No Relief for Tea Prices; Mixing the Beers; Shorter Notes. 535

COMPANY NOTES AND SECURITY PRICES 544
STATISTICS 546

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No More Crises?

AT this season of the year, Britain used to become involved in economic crises. In 1954, for the third year running, it is clearly going to avoid one. It is right, therefore, that some searching questions should be asked. Is this long respite a sign that there has been some basic change in economic conditions since 1945-51, or does it merely mark a prolonged period of phenomenally good luck? Were those unnerving and apparently uncontrollable relapses into austerity characteristic only of peculiar muddles or difficulties in the early postwar years? Or should they be expected to start again soon?

It is impossible to give straight answers to these apparently straight questions. They involve judgments not only on whether the fates will be kindly, but also on whether men will be wise. But it is possible—and this seems to be a good time for such an attempt—to set down the salient facts in the simplest possible form, and let the inquirer form an opinion for himself. The object, to repeat, is to distinguish how far the misfortunes of the years of austerity were due to ordinary bad luck which may return, how far to bad management which need not occur again, and how far to the particular difficulties of a postwar period that can now be regarded as past.

The most important judgment, in hindsight, must be that the causes of the crises in 1945-51 were really very marginal—although the consequences were sometimes immense. Even in a year of so grave a balance of payments deficit as 1951 the British people overspent their total earnings by only just over 7d. in the pound. Even in so severely rationed a year as 1947 the British people ate only about 10 per cent less than they are eating now; all the paraphernalia of rationing, restrictions, queueing and red tape seems to have been kept in being to cut down the food consumption of every man, woman and child by less than 2s. a week. Even in 1947—given present consumption habits and financial policy, and if this had been the only problem to be solved—an increase of 4 or 5 per cent in total productivity could have caused the shops' shelves to bulge with manufactured consumer goods as invitingly as they do today.

Why, then, did these twopenny-halfpenny crises look so terrible at the time? There were two main reasons; and one of these—it is devoutly to be hoped—the country has now nearly left behind. Whenever shortages of essential goods cropped up in those early postwar years the Government took action that was supposed to be corrective, but in fact made the shortages look much worse than they really were. This was not only true of the stimulation of demand for imported food and scarce housing resources by lavish subsidies. It was also true of the price controls imposed on essential goods, and of the encouragement of demand for imported raw materials as a result of the deliberate cheapening of the cost of credit. In effect, the contradictory aim of Government policy in those early postwar years was to divert demand towards the goods that were in shortest supply or that Britain could least afford, and then to slap on physical controls

so that the demand could not be satisfied. It is not surprising that the authorities then looked timorously over their ramparts of rationing, allocation and import controls at a throng of unsatisfied customers, and claimed that these ramparts were essential and had from time to time to be built higher. But it will be surprising—and chuckle-headed—if Britain ever chooses to go back to quite this same system again.

The second reason for the crises in the early postwar years, however, was that the shortfall between what the public earned and what it wanted to demand, although much smaller in the so-called crucial sectors than was generally believed, nevertheless added up to a sizeable total in the round. There has been an improvement of perhaps 20 per cent in real incomes and spending since 1946-47—a substantial windfall. Three principal elements in this recovery can be picked out, and the task of the prophet is to assess how permanent each is likely to be.

*

In the first place, personal savings now seem to be running at about £1,000 million a year, compared with barely £100 million at one time just after the war; the public is now saving about 1s. 4d., whereas it was then saving only about 2½d., out of every 20s. of its earnings. It seems reasonable to hope that this recovery can be kept as something better than a transient phenomenon; low saving was a consequence partly of necessary household re-stocking and partly of unwise financial policies in the early postwar years.

The second source of recovery has been that world prices of British exports have risen more in the last two years than world prices of British imports; this is Mr Butler's uncovenanted ally, the famous favourable terms of trade. The importance of this ally can be overrated, and so therefore can the dangers of its turning traitor. Although the fortuitous improvement in 1952 and 1953 (over the very bad level in 1951) has probably served to increase Britain's real income by some 4 or 5 per cent all told, the terms of trade are no more favourable now than they were in 1946-47. With German and Japanese manufacturers back in the market—and despite the substantial recovery in the world production of the food and raw materials that Britain imports—the probability is that the future trend will be slightly less favourable. But that is not to say that the trend is likely to take us right back to 1951, when a new and immense post-Korean demand for raw materials surged suddenly against an inelastic supply, at a time when the British Government had just run its stocks down to rock-bottom. It will be very bad luck if the country has to contend with two such misfortunes again. It is true that Britain might run into another raw material crisis if the fear of impending new restrictions caused importers to hurry forward with their orders, in an attempt to beat the gun of discriminatory controls. This is a danger that a Labour government, in particular, should remember; but it is not a danger that a wise administration would be powerless to avert.

The third, and by far the biggest, factor behind Britain's recovery since the early postwar period has been that production has continued to increase at an average rate of between 2 and 3 per cent per annum; in 1953 and 1954 the rate has been rather larger. These increases would have been still more pronounced if Britain had devoted more of its income to building up its capital equipment. But, despite this insufficiency, manufacturers are now clearly installing new machinery at a slightly quicker rate than their old machinery is wearing out, and the prospect is that Britain's total productive capacity should continue to increase slightly year by year; certainly there is no reason why that capacity should slip back.

The big question here, however, is whether the level of world demand will always be sufficient to keep Britain's productive capacity working at full blast. This is the one factor that could—and probably one day will—cause a crisis that no British government could be expected to avert. Although the early postwar years are now regarded as years of intermittent agony and bad luck, they should really be regarded as years in which Britain was very fortunate that it never had to face conditions of world slump. It would be rash to assume that it will always be so fortunate in the future, or that the sterling area's experience during the very slight American recession of 1953-54 has shown that such strains can be painlessly absorbed. But, although this spectre of world recession may bring this country back to austerity some time in the future, it is not likely to be such a persistent bogey as the crises of the early postwar years; the danger of a world depression every alternate August can fortunately be ruled out.

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The conclusion must therefore be that there have been some basic changes—not merely surface and transient improvements—since 1945-51. The system of controls in those days was more stupid, the public was more spendthrift, the terms of trade (in 1951 only) were less favourable, and production was lower than it is now. Is production ever likely to be cut back in the future, as a result of a dearth of demand? The economist must answer that it may be, but that this danger should not recur—as the old-fashioned crises did—every other year; he should add, however, that if and when such a crisis comes, it may be a very bad one indeed. Are the terms of trade likely to become less favourable? The economist must answer that they probably will, but that there is no reason why they should turn—as they did in 1951—with such devastating force that the Government is unable to bring them under control. Are the British people likely to become more spendthrift or more stupid again? The economist must answer that this is not his province. These are questions to which the parties—and the British people who elect them—must give answers of their own.

United Nations Audit

WORLD stock-holders must have read with mixed feelings the ninth annual report submitted to them by Mr Dag Hammarskjöld, Secretary-General of the United Nations. On the political front the corporation has had rather a meagre year. The great problems of Kashmir, Palestine and Korea are still on the books unsolved. The business in Guatemala is closed, but no one is very happy about the way in which it was wound up. Efforts to use the UN to promote disarmament have been futile, and behind every session lurks the problem of seating Communist China. None the less there has been visible progress towards making war less likely, but it has taken place outside the actual framework of the UN. Today, for the first time since the League of Nations showed itself impotent to defend Ethiopia, the world is more or less at peace. But both in Korea and Indo-China an armistice between great powers has been achieved by direct contact between Governments and with the active participation of the one world-power that has not been represented in the UN.

The vital diplomatic encounters have taken place not by the East River in New York but in Berlin, at Geneva and in Delhi. The problems of the balance of power in Europe and Asia are being approached through the EDC and Seato, not through the commissions of the UN. Mr Molotov has his plan for collective security in Europe, and Chou En-lai hints at a similar arrangement for Asia. And the hope for world stability is based on Nato and the creation of such regional systems as the Balkan alliance under the auspices of the United Nations, rather than on acrimonious sessions of the Security Council. Indeed, it sometimes looks as if the UN is all auspices. Who looks to the UN at present for a solution to the German problem or to preserve South East Asian security? And who believes that the UN will find a formula to control nuclear weapons? As Mr Hammarskjöld admits, a glance at his balance sheet is "a reminder of the wide gap between purpose and achievement."

This gap is less obvious in the field of economic, social and technical agencies. Here admirable work is being done. But here also there has been a diffusion of effort and means over far too many projects. The Secretary-General stresses the fact that the UN assistance programmes for under-developed areas can be vastly expanded at relatively low cost. Such programmes, moreover, demonstrate the way in which the ideals of the United Nations can coincide with those western policies best calculated to stop Communism in Asia and Africa. But if more is to be accomplished along these "international Point Four" lines, Mr Hammarskjöld must be given the power to concentrate his staff and resources. Despite his valiant efforts, an enormous mass of unread and unreadable material pours daily from the UN presses, and there exist commissions and projects which seem to come straight out of the Academy of the Laputans.

But to say that the United Nations will be doing increasingly valuable work through Ecosoc and the United Nations Children's Fund is to avoid the overriding question. Why is it that the really important diplomatic decisions are no longer being taken or even considered in the great Assembly Hall in New York? Has the basic idea of the organisation been a failure? Perhaps the greatest obstacle it faces is the fact that at several key points its structure and ideals no longer coincide with the realities of power. To take only two examples. An excellent moral and judicial case can be made for the continued exclusion of Communist China. In the words of the Secretary-General, "The attitude of the United Nations is thus not one of neutrality but one of active effort to further its most fundamental purposes." But, at the same time, nothing the UN can do will exclude the six hundred and twenty million Chinese from an ever more important and perplexing role in world affairs. The second example is provided by the intervention in Korea. No one knows what would have happened if the Soviet Union had been present in the board-room and had used its veto. The one major political action carried out by the UN took place in spite of its institutional structure rather than because of it.

The idea that the United Nations should provide a forum where the moral judgment of the world can arbitrate between right and wrong, has given place to the traditional reliance on compromises between nations armed to the teeth. Diplomacy backed by arms has ousted—or has almost ousted—debate that seeks to mobilise opinion. The parliamentary methods of the UN have been discredited because language lacks the compelling arguments which come with armed strength.

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These facts, and the possibility of a revision of the Charter which is provided for in the agenda of the Assembly for 1955, call for a re-examination of what the UN is really supposed to accomplish. The Communists hold that the United Nations Organisation is a forum in which everyone is at liberty to speak and mimeograph his own pleadings; but in action it is to remain strictly neutral. The Russians defend this interpretation by pointing out that under present circumstances the arguments of one side automatically receive more votes than those of the other; the Communist bloc is generally outvoted. Furthermore, they suggest with some plausibility that it is absurd for Nicaragua, say, or Liberia to provide a majority against the USSR.

Americans such as General Mark Clark, on the other hand, maintain that the United Nations is a free world

club into which the Russians have somehow gained admittance. This club should support American policies and give proof of the fact that these policies benefit all decent minded people. Those who hold this position have a strong case, in that most of the ideals and principles subscribed to in the UN Charter are flagrantly violated behind the Iron Curtain. And they are also right in pointing out that UN soldiers, mostly American, were being killed in Korea by weapons provided by a UN member.

If either of these extreme positions were accepted, the UN might as well be scrapped. As President Eisenhower has reaffirmed, the United Nations should provide as wide a forum as possible for the expression of different points of view ; but equally there are standards of admission and these should imply some acknowledgment of international law and conventions. And after hearing conflicting views, the UN must be willing and able to act. That is the crucial point: "the United Nations must oppose any policy in conflict with the principles of the Charter and must support a policy in accordance with those principles, not in a spirit of partiality but as an expression of loyalty to the Charter."

Can the UN in fact take action in the face of the present realities of cold war? First, it should be admitted that neither the USSR, nor the USA, nor the United Kingdom is prepared to have its veto power abrogated. This means that no formal revisions of the Charter will overcome the dilemma posed by the ideals of the UN on the one hand and the facts of Great Power rivalry on the other. But to say this is not to say that the UN is to be merely the debating club envisaged by its Communist members.

The very fact, for instance, that embarrassing issues can be brought up and examined by the General Assembly serves as a pressure on free nations. Governments do not like to feel world opinion against them. It makes them more inclined to put their own house in order. And the hope that one day such pressures may be felt even beyond the Iron Curtain is by no means absurd. Secondly, the UN by its very nature forces the weaker and smaller nations to make up their minds on the great issues which divide the free world from the Communist empire. And this means that the UN is one of the great safeguards against the kind of isolation through slander and menace which the Communists would like to impose on the United States. It constitutes a flexible but genuine link between American and British policies and even the more neutralist nations.

One thing is clear: if the United Nations is to increase its effectiveness and take back something of what it has lost to secret diplomacy and regional negotiation, it must be ready to tackle the most awkward issues even if there is a danger of a powerful member walking out. A failure of the United Nations would be a tremendous impulse to that isolation of the United States which Communist diplomacy is trying so hard to bring about. For although Ambassador Lodge is now serving the cause of the UN, the spirit of his grandfather Senator Lodge still walks abroad, saying that this is merely another League of Nations.

A Confusion of Councils

MR MACMILLAN has promised that he will try to bring in a Bill next session to reform the structure of local government. This will not be a politically rewarding task ; the kicks that disgruntled councillors will administer (for no Bill can or should please all of them) will exceed the ha'pence of tribute that might be earned from connoisseurs of administration. But the task is important and urgent. It is important because local government is the nursery of British democracy, and operates all the main public services (except for hospitals and the post office); and its general efficiency is vital to the particular efficiency of each individual service. The task is urgent, because all parties and critics agree that the present system is anomalous and inadequate, yet no postwar minister has had the courage to tackle the subject at all. Mr Macmillan has enough political credit in hand after building so many houses to risk assuming the austere mantle of administrative statesmanship. Thereafter he can leave happily for the Foreign Office.

The Government's small majority will certainly limit the scope of what can be done in a field that is controversial and yet electorally unattractive ; for these reasons the 1922 Committee has already urged the minister to abandon the idea. Yet the fact that disputation over local government cuts right across party lines gives him a certain scope for manœuvre. Mr Macmillan cannot hope to produce an agreed Bill, nor yet one that will appeal to all his own party. He might, however, produce one that will get the approval of the majority of the House and the country, and yet achieve some changes of substance. To do this, it will be necessary to cast around for some novel and bold approach. There is no agreed remedy for the ills of local government ; but it is clear that a mere tinkering with the present system would be of little use.

Most reformers of local administration start by examining the few large authorities—the counties and county boroughs. Mr Macmillan would be wise to do the opposite. He should look first at the 309 non-county boroughs, the 572 urban districts, and the 475 rural districts. Now that the parishes have been shorn of virtually all power, it is this heterogeneous mass of over a thousand authorities—each with its own council, committees and clerk—that represents local government at its most local. As such these bodies

should have a special appeal to Conservatives. It is Little Buncombe UDC and the ancient but non-county borough of Wormbridge that still embody the old idea of self-governing communities ; and their affairs attract local interest much more readily than those of the powerful but remote county council.

Unfortunately, the minor authorities also stand today for local government at its most futile. A glance at the list of activities carried out by the average district council or non-county borough shows why. The list includes the removal and disposal of refuse and sewage, the provision of baths, wash-houses, and parks, public lighting, cleansing, water supply, housing, minor roads, the control of nuisances, the enforcement of the Shops Acts and Food and Drugs Acts. These are all very necessary services ; but politically and humanly speaking, they mostly run themselves. There is nothing on the list, except housing, to spark the interest of the ordinary citizen. The other services that concern persons and not things—such as education, clinics, and old people's welfare—have all been transferred under recent legislation to the county councils.

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Mr Macmillan has two ways open to him to right this sorry situation. He might simply abolish the whole lot of these minor authorities. The largest boroughs and urban districts could be upgraded, after suitable amalgamation, to a status approximating to that of a county borough. The small towns and rural areas could be brought under the direct administration of the county council for all services. To make such arrangements palatable to local sentiment, divisional executives could be set up for other services (as they have been set up for education) to familiarise county councillors with local needs.

This proposal would certainly be criticised as draconian and undemocratic. In fact it would do little more than recognise the *fait accompli* of the eclipse of the smaller authorities. Administratively, the elimination of the overheads of a thousand separate authorities should in time achieve a substantial saving. Even on democratic grounds, there might well be a net gain. The public thinks instinctively of its own local authority on its doorstep, and has been slow to recognise the great powers that county councils now wield. The simplicity of a single local election should make for a more clear-headed democracy. The green light would also be given to many growing towns that now seek county borough status but are denied it because of the effect on county finances. Under the proposed arrangement, this objection would no longer be a valid one.

If this change is too far-reaching (and open to misrepresentation) for a Conservative minister to contemplate, there is only one other way open for reviving an effective democracy at the truly local level. This is to combine the minor authorities (or as many of them as possible) into units that would be strong and wealthy enough to resume some of their lost powers—particularly in the social services. This need not mean a loss of local touch or the creation of large, unwieldy units. But the condition of success is that rural and urban areas should be merged together to produce units that, without being bigger than the present average rural district, would be considerably more populous.

This proposal also will arouse a number of old shibboleths, not least in the Conservative party. It will be said that town and countryside have different wants and outlooks ; and that in any union it is the country's interests which will go to the wall. This need not be so. The standard of public services is becoming increasingly uniform throughout England, and it is the interest of the countryside to speed up this process. It is of dubious value to try to preserve a special "rural mentality." In any case the present rural district is the least satisfactory of local govern-

Essential Toil

It appears by the report of the Census Commissioners, that altogether there are 265,198 persons in Great Britain employed in working and dealing in coals. Of actual miners there are not fewer, as we have already stated, than 219,015, and of these 2,649 are females, of whom 1,295 are under 20 years of age. . . . They are liable to be tumbled out of the cage or basket in which they are hauled up or let down into the pit, to be wounded or killed by stones falling on them, and to be scorched, burnt, or smothered by fire-damp or foul air. How men are induced to submit to all the privations and dangers attendant on a collier's life for the reward of a few shillings a day, puzzles those . . . who have a reasonable horror of working 8 or 10 hours day after day in a hole several hundred yards below the earth's surface, exposed continually to the most painful accidents and the most cruel death. Yet there are candidates for the work, hands are never much wanted, and even women are engaged in the appalling labour. Though we enjoy by their toils comfortable winter fires, and are whirled along in the steam-dragged carriage or wafted over the ocean in the steam-ship, are defended by a steam navy, and clothed by steam-driven mills, and can scarcely be grateful enough for a dispensation which secures all these public advantages—and they include much of our civilisation—yet, to the dwellers in sunlight and pure atmospheric air, it is apparent that the people who engage in these toils are, as the rule, of a limited and degraded intellect, or they are compelled by some imperious necessity or habit to submit to a mode of life more appropriate to the burrowing fox or the prairie dog than human beings. What England would be without their labour, it is difficult to conceive. . . . We are never tired of extolling our poets, our philosophers and inventors, our adventurous voyagers and our great naval and military chiefs . . . but greatly as they may have raised the fame of Britain, she could not have achieved her greatest works without her coal and her colliers.

The Economist

August 12, 1854

ment units. It is a union of convenience between parishes, which usually lacks any communal life or sentiment of its own and whose boundaries are generally ill-suited to the present needs of public services. On the other hand, a market town grouped with surrounding villages may often be much more of a social and economic entity. The rural district has had its day, and there should be no mourning its passage.

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Higher up the local government scale the ground has been well tilled with authoritative investigations. The conflict between counties on the one hand and actual or would-be county boroughs on the other is of long standing. At present mutual suspicions are poisoning the possibilities of effective co-operation. Only a settlement that can be regarded as firm and lasting will remove the poison. The best solution that is also politically feasible was sketched out in the proposals of the Local Government Boundary Commission, which Mr Bevan shrugged off four years ago as too radical for his innately conservative tastes. These proposals would amalgamate a few counties and drastically reduce the number of county boroughs ; but they would also provide much-needed balm for medium-sized towns by granting them a wide range of functions while conceding to the counties a few large-scale services.

There is, however, one clamant problem at which the Commission only nibbled. The 1951 Census revealed that 40 per cent of the population live in six great concentrations, centred on London, Birmingham, Manchester, Liverpool, Leeds and Newcastle. Since neither the medieval county nor the nineteenth-century county borough was designed to meet the needs of an agglomeration of several million persons, local government in these areas is in chaos. It needs a new design in which two principles should be borne in mind. The first is that in a densely packed concentration, where land is short, there are many services such as town planning, main roads, open spaces, fire brigades, and water supply—that can only be properly planned for the areas as a whole. This points to some type of regional authority. Secondly, since the population is tightly packed, it should be possible to delegate the administration of many services to a relatively local level. It is ridiculous that populous suburban areas like Harrow and Ilford should possess very few powers. This point could be met by creating a revised lower tier of authorities capable of handling at least most of the social services.

Some of the old panaceas for local government are now less often heard. The virtues of the small authorities are not so freely mentioned—mainly because, in their present form, they are obviously incapable of achieving much. At the other extreme, the idea of a new tier of regional councils (once the policy of the Labour party) has lost its savour—although it still has meaning if applied, in a more restricted manner, to the great urban concentrations. It is for Mr Macmillan to try to find, between these two extremes, a new cast for his present mess of authorities, using what is best in the present materials. And it is for the public, irrespective of party label, to encourage him towards the renaissance of effective and democratic local government.

Truce in Babel

THAT fashionable phrase "peaceful co-existence" has attached to it, like Dr Strabismus (whom God preserve) of Utrecht, an exhortation in brackets. It is that the free world must be vigilant, whether it is in Germany, or on the frontiers of Iran and Siam, or merely in the River Thames and around the Soviet Embassy in Canberra. The warning has behind it the authority of Sir Winston Churchill and no reasonable person will question its wisdom ; but it tends, none the less, to appear at the tail-end of politicians' periods and to be swallowed in the fall of their voices. "Vigilance" is a strenuous word—rather like fitness—which will not quickly become popular.

Political watchfulness, economic stability, military readiness, collective arrangements against possible attack, the need for all these aspects of vigilance is widely understood. What is less well known—indeed, completely ignored by many—is the battle of pens and voices that goes on day and night, in the air, across frontiers, by newspapers, leaflet and word of mouth in every language under the sun. Moscow, Peking and the satellite capitals battle unceasingly with the Voice of America and the BBC ; Communist organs of government like *Pravda* and the *People's Daily* attack in phalanx the undrilled posses of the free press. There has been nothing like it since Babel.

It is not so much a war of ideas as a contest between the organised slogans of a conspiracy on the one side and unorganised and often contradictory argument on the other. Tension may at intervals be relaxed between statesmen and foreign offices, but it is never relaxed between the champions of the broadcasting studios and the newspaper offices. The best they can achieve is a spell of studied politeness. For a few weeks Sir Winston Churchill—and even President Eisenhower—may be in Moscow's good books and M. Mendès-France in Peking's, but for the treatment of most bourgeois politicians and institutions the prescription remains "abuse as before." And for the Voice of America, and to a lesser degree for the BBC, it is "go on teaching where it hurts." Is all this a necessary part of vigilance ?

It is easy to exaggerate the importance and effectiveness of all this activity. Indeed, it is almost impossible to estimate with any accuracy the political influence of peacetime propaganda, whatever the medium that is used. What is certain is that the Russians think it necessary to devote a great deal of money and effort to jamming broadcasts from abroad, and that the Americans, British and others make a comparable effort to pierce the defences of the iron curtain. There is also evidence that broadcasts from Moscow give valuable directives to Communists working in the free world, and that broadcasts from the West help to maintain some spirit of resistance—emotional and intellectual resistance—in countries under Communist control. Who is winning the struggle and whether any victory is possible are questions seldom considered by the propagandists themselves ; for they naturally resist any suggestion that they may be wasting their time or merely cancelling one another out.

Yet, if "peaceful co-existence with vigilance" is to be taken seriously as a principle of western and Communist policy it is clear that the role to be played by psychological warfare and political propaganda needs fresh scrutiny. To take only two examples: it is not easy for British broadcasts directed at people in Eastern Europe to explain how peaceful co-existence is compatible with some of the things that have been said to them in the past from London ; just as it is not easy for any reader of the threats to "liberate" Formosa now being made from Peking to believe that the Chinese government is observing the spirit as well as the letter of the Geneva agreements. Likewise, the tone of the Voice of America, as of Radio Free Europe, sometimes make it hard to believe that Washington no longer supports a policy of "liberation," while Moscow's portrayal of what is happening in British possessions in Africa makes nonsense of its claim never to interfere in the affairs of other countries. In other words, peaceful co-existence is in principle entirely incompatible with the war of slogans and subversive suggestion.

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Surprisingly, this matter is seldom discussed. One can recall no considered plan for banning the weapons of mass subversion. Yet the daily output of rumours, half-truths, distortions and hate-inspiring accusations by governments and their agencies is appalling. In this respect the world is already over half way to George Orwell's 1984, and on both sides of the iron curtain there must be many thousands of unhappy psychological warriors who know, if they ever stop to think, that they are being corrupted by their own daily work. The currency of news and views heard over the air or read in the newspapers is being steadily debased. Notes from Moscow have been for years so obviously drafted with an eye to their propaganda value that even the most sober draftsmen in the western foreign offices are now tempted to follow the example. Indeed, there was a time—now, one may hope, almost past—when it was impossible to distinguish in Mr Dulles's statements what was in fact American policy and what his advisers on psychological warfare had contributed.

It is, perhaps, in the more recent diplomatic practice of the Great Powers that the clue to a remedy may be found. They are rediscovering the virtue of privacy. For example, at the Geneva conference there were conversations between statesmen of which, *mirabile dictu*, no details have even now leaked out ; and there are grounds for believing that those exchanges were reasonable and well-mannered precisely because the parties to them believed that what they said would go no further. Secret diplomacy, so long in disrepute, is returning to favour. If the taste for discretion is growing, and if there is a genuine desire to relax tension, it should be possible for governments to begin thinking about a truce in word warfare, or some kind of cease-fire agreement between their political commentators.

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Suppose, for example, that the Communist and non-Communist powers agreed to broadcast to audiences abroad nothing but news bulletins, entertainment and cultural material. Which side would gain the most ? It is not an easy question to answer. The BBC, which always claims that it does not conduct propaganda, should clearly gain. The Voice of America might win in persuasiveness what it lost in vigour. The Russians and Chinese would have to give more attention to projecting their own way of life and less to running down other people's—and who knows what effect that would have ? Some listeners beyond the iron curtain might miss the tonic of talk and argument ; but others would prefer to do without exhortation which cannot lead to active resistance. There might even be some reduction in radio programmes, so relieving the ether of an immense clutter of semi-audible talk.

There are, of course, all kinds of difficulties in the way, most of them political and psychological ; but there are few technical or administrative difficulties, save the dismissal of some highly paid impresarios. Inspection of propaganda is far easier than inspection of disarmament: newspapers can be read and broadcasts monitored, as they are already. Any breach of an agreement could be threatened with devastating retaliation by a barrage of jamming and political invective. Here, at any rate, is a problem that is worth looking into, and it would be a thousand pities if the first move towards a truce in the war of words should come from the Communists. To accept a proposal from them would be denounced by so many people as appeasement, whereas to make a proposal to them could be represented as a practical step towards making "peaceful co-existence" a reality in at least one sphere of international rivalry.

Notes of the Week

Red Carpet from Malenkov

THE Chiltern set have been as nobly entertained in Moscow as the Cliveden set once was in Berlin. Indeed, Malenkov has stolen some of Mao Tse-tung's thunder by his fêting of Mr Attlee and his fellow travellers eastward. That Malenkov should be a guest at the British Embassy and that the British delegation should be entertained in the Soviet leader's private retreat marks what can best be described as a smiling reappraisal of Soviet protocol. The Russians are doubtless aware that the party represents neither the British Government nor the House of Commons and that it is not acting as an advance guard for Sir Winston Churchill; none the less they have rolled out the red carpet with marked cordiality. Their guests cannot fail to be impressed.

There are, of course, dangers in this unofficial diplomacy. They were doubtless in Mr Hector McNeil's mind when he boldly told an American interviewer that Mr Attlee's visit was "highly irresponsible and illtimed." The good that may result in the Soviet Union itself from the spectacle of its leaders entertaining the Labour Party, whom they attack as their worst enemies, has to be balanced against the harm that will be certainly done elsewhere. People in Eastern Europe, for example, must be wondering whether they are to believe their eyes when they see on the news films in Warsaw, Prague and Budapest the smiles, the cigar smoke and Dr Summerskill's bouquet. Germans in the Federal Republic will wonder why they, too, cannot discuss co-existence and trade over the Crimean wines. More serious, every suspicion and misgiving that Sir Winston Churchill took such pains to allay when he visited Washington will revive in the minds of Americans who believe that people with conflicting interests and opposed ideals should not pretend to be friends.

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The question that Mr Attlee has to ask himself is whether the Atlantic alliance at this precise moment can stand such strains. The future will show. Meanwhile, he could convince many sceptics that he is acting in a realistic and responsible way if he would reconsider his decision not to accompany his colleagues to Japan. There, a genuine effort is being made to imitate British institutions, to cultivate democratic habits, and to keep the past at bay. It should be just as interesting to a democratic Socialist as anything that Moscow or Peking has to show. And Mr Bevan could do serious mischief in Tokyo if left to himself.

Dr John Makes His Bow

DR OTTO JOHN could now put in a claim for the preposterous sum of DM 500,000 (over £40,000) that the Federal German government offered for information explaining his disappearance to the far side of the Potsdamer Platz. His appearance at a press conference on Wednesday, and the statement that he made there, remove much of the need for further guessing. It is now evident enough that Dr John went willingly, and that his move had been planned for some time past. Whatever part his alleged "voices" played in the past, no one can now see him as a modern male Joan of Arc. He is now a tool of the Soviet propaganda machine. The timing of his appearance was clearly planned. He could perfectly well have met the press at any time during the last 22 days, but he did not do so until the day on which the French cabinet met for its crucial discussion of the European Defence Community treaty. And his statements, with a few personal touches, were almost wholly a collection of distorted points made day-in-and-day-out by the Soviet and East German press and broadcasts. In the circumstances, the Social-Democratic party can be grateful that Dr John did not claim political sympathy with it, but with the group that advocates a neutralised Germany, linked by a new Rapallo treaty with the Soviet Union.

The sufferers from the defection of Dr John are in the first place Dr Adenauer's government and the democratic anti-Nazis, particularly those who emigrated to Britain and returned to posts in Germany. The cry of "the Reds are among us" is being heard from the press, which alleges that the confidence of the public in the security of the state is shaken. There is an unmistakable tendency to implicate the British, though Dr John himself has now stressed that his original appointment to the new Office for Protection of the Constitution was made by the Federal Government, with no objections except from the leader of the *Deutsche Partei*, most right-wing of the coalition parties.

Dr John's personal appearance will add to the ammunition that is being fired at Dr Adenauer and his government by the West German press. The Minister of the Interior, Dr Schroeder, has certainly handled the affair very ineptly. By clinging too long to the theory that Dr John had been abducted, the Minister has succeeded only in damaging his own reputation. The Communists have thus gained in an indirect way from the case, probably more than they have through the direct effect of the well-worn political propaganda against the Nazis and the EDC put out by a man who is now officially declared to have acted in a treacherous manner. If Dr John had really wanted only to combat neo-Nazis, and to promote the unification of Germany in freedom, he could have done so far more effectively by resigning and protesting in Western Germany.

Mendès-France Marches On

THE fate of the European Defence Community should be decided in less than two weeks. The long delayed battle over the ratification of the treaty setting it up is at last to be waged in the French National Assembly. Yet the timing is all that is known for the moment; hostilities will open on the 24th of this month. M. Mendès-France has not yet revealed how he will conduct the operations or by what strategy of surprise he expects to avoid a deadlock. Five days before the parliamentary debate he will be in Brussels asking the other signatories of the treaty for modifications and interpretations of the original document. Too much importance, however, should not be attached to these. If they are substantial, they will probably be rejected in Brussels; if they are not, they will not sway many deputies in the Palais Bourbon.

The shadow of the forthcoming "great debate" hangs over the National Assembly and obscures the meaning of its latest pronouncements. The two polls taken this week—granting M. Mendès-France wide powers to act by decree and allowing him to postpone the Tunisian debate—already partly reflect the hopes and apprehensions felt about the government's stand over EDC. The Christian Democrats, more confident that the premier will back ratification, voted for the first time in his favour on its economic programme, though they abstained over Tunisia. The Communists, on the other hand, withdrew their support on economic policy and threw it back into the scales over Tunisia. Both will have an opportunity to express their verdict on the North African policy of the government later this month, but since M. Mendès-France should have crossed in the meantime his "European Rubicon" the alignments and results may then be quite different.

This week's polls have shown how little the present government can afford to lose supporters; they have confirmed the frailty of the coalition spirit. As was expected, the attack on self-government for Tunisia came chiefly from the ranks of the premier's own party; his Radical "colleague," M. Martinaud-Déplat, delivered a most violent diatribe applauded by the colonialist lobby. The economic dobate revealed the right wing's mistrust of the premier, while the Socialists, curiously enough, voted for the man rather than the programme.

A Tempered Liberalism

ON the economic front M. Mendès-France has emerged with wider powers to act by decree than had been granted to any previous government of the Fourth Republic. The means rather than the ends of his proposed policy came under fire. Even among his opponents, few would quarrel with the need for wider scope for governmental action; the patient will never recover if the doctor must seek the consent of a divided Assembly for every prescription. Not many could find fault, either, with the main objective of the government: to modernise the French economy, to stop longing for the past and adapt France to twentieth century conditions. M. Mendès-France described his creed as liberalism tempered by benevolent state interference and this was intended to appease critics on both sides of the Assembly.

Criticism of the programme centred on its financial aspects. To assist in the reconversion of marginal firms and the shifts in redundant labour force—these are aims laudable in themselves and the need will become imperative when trade barriers are lifted. But where is the money to come from? The budgetary gap already amounts to about Frs. 700,000 million (or over Frs. 300,000 million if "below-line" expenditure is discounted). Strengthened by the Bank of France strictures against deficit financing, M. Reynaud, the conservative leader, accused the premier of forgetting his own precepts of financial orthodoxy and warned him against relying too much on favourable circumstances.

In reply M. Mendès-France admitted the immensity of his task and apologised for the modesty of his programme. Above all he asked for time. A government granted wide power is to be judged by its use or misuse of it. But future governmental action in this field will be largely determined by the size and kind of majority with which M. Mendès-France emerges from the battle of ratification. Thus the destiny of France is at stake in more senses than one in the forthcoming European debate.

Cows and Chop Suey

AFTER trying two years of peaceful coexistence with Labour's right wing, Mr Bevan has apparently decided to revert to cold war. He has now confirmed that he is surrendering his safe seat in the constituency section of the National Executive in order to enter an already hopeless fight with Mr Gaitskell for the treasurership. This means that in six weeks' time he is virtually certain to be off the Executive. Since he could so easily have stayed on, it must be assumed that he does not greatly mind. He is said to conceive the contest as only the first in an annual series, presumably with the party leadership as the final prize.

Certainly, his general behaviour is now falling into a clear pattern. He has resigned from the "Shadow Cabinet," he is inviting ejection from the Executive, and he has bought a farm. He has given up hope of trying to convert the right-wing majorities on the party organs and prefers to have no part in the leadership at all. His enrolment into the ranks of the squirearchy has prompted comparison with Cincinnatus, but there is a more modern parallel. Mr Bevan is suspected of seeing his Asheridge as another Chartwell.

But the danger of brooding among the cowsheds, awaiting a summons to power, is that the summons may never come. Mr Bevan needs to woo Labour's rank and file with more than spleen, but he is finding it increasingly difficult to offer anything else. He has a popular issue in "German

rearmament," but it is clear that his hopes of standing on a distinctive Asiatic policy are being dashed. It was over Seato that Mr Bevan resigned from the Shadow Cabinet, but ever since then Mr Attlee has given him no cause for disagreement. And now it seems that Mr Attlee is going to be wafted back to England from his trip East on a genial tide of vodka and chop suey; the country and the Squire of Asheridge are both hoping—though for different reasons—that he will not also be in a mood to cap any Oriental extravagances that Mr Bevan makes.

Railway Trouble Again?

THE preliminary bouts in the wages struggle for 1954-55 are now in progress; and manœuvres in the next few weeks may decide whether the struggle will end with a repetition of the seven shillings a week standard for wage increases that was set up in 1953-54, or whether the employers will get away with something smaller, or even whether Britain may be about to enter its first postwar period of serious strikes. The most important current battle is again on the railways; there is to be a vital meeting between the Transport Commission and the leaders of the three railway unions this week-end.

The threat of a railway strike last Christmas was averted by an immediate wage increase, and by the promise of discussions on a new wage structure; it has been tacitly understood for some time that the result of these discussions will constitute the current year's wage increase. The unfortunate commission, however, has been faced by a demand from the National Union of Railwaymen for an increase of 10s. 6d. in minimum wages, from the engine drivers' union for an increase of about 26s. 6d. a week in their differential, and from the clerks for an improvement in their own status. The commission has tried to spread the little butter it can afford (which might amount to 4s. a week per railwayman if evenly divided) on these three separate pieces of bread; and in the result it has satisfied nobody. The country may learn this week-end how that dissatisfaction is to be expressed.

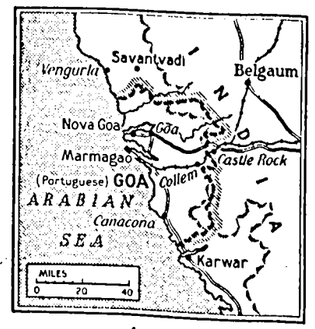
Wages Front in Flux

IN other sectors of the wages front, there is a mounting and ominous bustle. The farmworkers' representatives went to see the Minister of Labour and the new Minister of Agriculture last week, to protest against the arbitration tribunal's recent recommendation that they should not have any wage increase at all. The employers in the cotton industry have cashed in on the agricultural tribunal's call for stability, by saying that they too cannot afford to pay their workers any more; the principal union concerned has decided to report this to the Ministry of Labour, so that the matter might be referred to the Industrial Disputes Tribunal. The engineering unions have reached what they consider to be a satisfactory compromise between the proposals favoured by their skilled members (that they should demand an increase in differentials) and by their unskilled (that they should demand a substantial increase in minimum rates). They are going to ask for both.

With the cost of living still remarkably stable, employers may be justified in assuming that there is no indignant head of steam behind this year's wage demands. Some union leaders decided some months ago that their claims had already nearly struck bone, and had determined to follow a moderating policy this autumn. But now the argument of increased productivity is being brandished, and the unions are pointing out that the cries of woe that followed the acceptance of the seven-shilling standard last year have not been justified; moreover the signs of economic recovery in America and those very fortunate labour disputes in Western Germany are whittling away part of the force of the employers' pleas about a buyers' market. Above all, some workers—including the railwaymen and the cotton operatives—still feel that they have fallen behind in the race; and the personal reputation of certain union leaders with their men is at stake. It would be wrong to say that a flare up in labour relations is inevitable, but the tinder already looks much drier than it did even a few weeks ago.

Reprieve for Goa?

AT the beginning of this week a serious clash on the borders of Goa seemed inevitable. The Indian organisers of the "march on Goa," planned for August 15th, had publicly foreshadowed violent action if their first unarmed incursion into this Portuguese territory was obstructed; and the violence used during the earlier inroads into the little enclave of Daman, further north up the Bombay coast, was an ugly portent. An inglorious scuffle on the slopes of the Western Ghats was imminent; bloodshed, and the involvement of regular troops on both sides, were all too likely to follow, and only the Communists stood to gain from a train of events in which neither India nor Portugal would avoid discredit and which would create a new friction between free Asia and the West. Mr Nehru's admirably prompt, though qualified, acceptance of the Portuguese proposal to call in foreign observers opened a way out of this dark dead-end. If violence can be averted even for a short time, the two disputants—sobered, it is to be hoped, by this week's glimpse of disaster—will have a last chance of coming to terms.



Admittedly this will not be easy. On both sides, emotion is intense and genuine. To Indians, Goa is the last and intolerable vestige (now that the French are leaving Pondicherry) of what Mr Pannikkar has named the Vasco da Gama era. To Portuguese it is a relic of their heroic age and a beleaguered outpost of Christianity. Emotion, as ever, has proved a bad guide. Dr Salazar's doctrinaire refusal of all discussion, even in respect of [illegible] convenient "pockets" as Daman, smac[illegible]oons; and the Indian irredentists have turned a blind eye to the fact that the Goanese, unlike the inhabitants of the French settlements, are a distinct community with European as well as Asian traditions.

Mr Nehru's gesture on Tuesday indicated that India had been taken aback by the reaction of other nations, including "anti-colonial" Latin Americans and Asians, to the sight of the preachers of non-violence putting pressure on to a weaker power. If Delhi now undertakes the difficult task of restraining the Indian hotheads of both left and right, Dr Salazar will be foolish not to show an equally reasonable attitude. There are better methods than threats and fisticuffs for solving a dispute of this kind (for a start, a serious attempt might be made to find out the real wishes of the Goanese themselves); and Britain, as the friend and partner of both contestants, may yet be able to help them resolve their differences. But any outbreak of violence within the next few days could prove fatal to all such hopeful prospects; and the first necessity is to avert it.

Egypt, Iraq and Defence

AFTER years of a relationship that was as chilly as is compatible with common membership of the Arab League, Egypt and Iraq are to foregather this week-end. Major Salah Salem, Minister of National Guidance in Cairo, is paying a visit to Iraq's royal family and is to meet its new premier, Nuri Pasha es Said. He is still dusty from his recent rush errand to Saudi Arabia and Yemen, but this new visit is undertaken with a very different purpose—the difference having been created by the shift in Egyptian policy brought about by initialling the Suez agreement with Britain.

While that issue was still uncertain, Egypt had nothing but hard words for neighbours who failed to rate the fulfilment of Cairo's "national aspirations" as a prerequisite for all talk with the west. It therefore vilified Turkey, Pakistan and any Iraqi who expressed the view that Iraq, since it was now both wealthy and vulnerable, had better keep in with some potential great power ally. Simultaneously, Egypt cultivated Saudi Arabia and Yemen, both of which were then engaged in disputes with Britain. Now Major Salem must set about removing the suspicions that fraternisation with the Saudis always arouses in Iraq's Hashimite family breast; presumably he must also listen to Iraq's anxieties about the spread of Communism, about its undefended flank on its eastern or Iranian frontier, and about the need for adequate defence of its wealth in oil.

It is fortunate that the Iraqi statesman called on to deal with this situation is Nuri Pasha, with his wide appreciation of the world situation as a whole. He has come to power proclaiming an intention to secure revision of the Anglo-Iraqi treaty of 1932, which affords the RAF two bases in Iraq; once Egypt had secured a new arrangement, no Iraqi statesman could contemplate less. But he is likely to have some hard-headed views on the dangers of being too remote from friendly great-power bases. It is said that even people in Teheran are regretting that Iran is not on Egypt's list of countries for the sake of whose defence it would be desirable to readmit the British into the Suez base.

The Treaty of Bled

WHILE the Treaty of Bled was being negotiated it was the subject of many rumours as well as of some alarm and despondency. But now that it has been safely signed, sealed and published, it stands revealed as a workmanlike affair. It contrives to link Greece and Turkey with Jugoslavia in a firm military alliance that adequately plugs the gap in the defences of south-east Europe without making either the Jugoslavs or the Nato partners of Greece and Turkey feel that they are getting more involved in each other's affairs than they decently ought to be. If strategic requirements were all, such contrivances could be dispensed with, since Jugoslavia and Nato would no doubt find themselves willy-nilly in the same boat if the Communist armies moved westwards anywhere from Petsamo to the Caucasus. But political considerations make it unreasonable to expect Marshal Tito to jump too far or too fast into the western camp.

As it is, he is doing well out of the treaty of Bled. If Jugoslavia is directly attacked he gets automatic aid from his neighbours; in return, he promises them aid if they suffer a similar fate. But the chief deterrent to any aggression against Greece and Turkey remains their membership of Nato, and Marshal Tito, in effect, profits from this Nato shield covering his two allies—without, however, accepting any obligations to Nato in return. In the Treaty of Bled he is specifically committed only to consultation with his Greek and Turkish allies should there be aggression elsewhere in the Nato area. This helps to protect him against charges, either by his own Communists or by the Cominformists, that he has gone over to the Americans.

The treaty of Bled sets the seal on joint military planning and consultation that have been going on for nearly eighteen months. Herein lies its main strategic value. Each country can plan its military dispositions in the full knowledge of those of its partners, and can therefore dispose of its own forces to the best advantage. This is of particular importance to Turkey which, in addition to its European frontiers, has a long Asian border to defend. Where the Balkan organisation differs from Nato is in the absence of any joint staff or supreme commander—although there is to be a Balkan equivalent of the Atlantic Council. But as the main source of heavy weapons and aircraft is likely to be Britain and the United States, some standardisation of weapons and training between the three partners should be possible. Here again Marshal Tito will enjoy some of the shelter of the Nato umbrella without actually helping to hold it up.

A Maltese Ulster?

IN the last few weeks Mr Mintoff, the leader of the Maltese Labour party (the largest political party in the island, now in opposition in the Maltese Assembly), has been in Britain; and has been trying to persuade both the Colonial Office and the British Labour party to sponsor his own unconventional solution for the very real dilemma

in which the Maltese people are now placed. Malta's political problem is that its size and its importance as a fortress make it impossible for it to move much further forward towards self-government along the traditional road. Its economic problem is that it depends for its present livelihood largely on the British naval base (which for various reasons is likely to be less profitable in the future) and on generous British subventions (especially a large war damage payment, which is now running out). Mr Mintoff's proposed solution is that Malta should become a Mediterranean Ulster, with four of its own elected representatives sitting at Westminster; and he wants this to be accompanied by acceptance of a long term "economic plan" for the island.

These proposals require both straight thought and straight talk. Mr Mintoff's "economic plan"—and it is to be hoped that the British Labour party as well as the Colonial Office have told him this—is unfortunately nonsense. The main difficulty is not that he wants wage rates in government employment in Malta to be automatically raised by one quarter, to equal similar wage rates in Britain. It is that he assumes that union with Britain would open the sluice gates not only to free medical services, education and old age pensions, but also to massive investment in oil refineries, light industries and holiday traffic. In fact Mr Mintoff assumes that investment—and living standards—in Britain are determined by the state. If that were the basis on which any constitutional change was sold to the Maltese, they would quickly be disillusioned; anybody who has any kind words to say about this economic plan will merely be hastening the day when all Maltese will feel that Britain has let them down.

Mr Mintoff's parliamentary proposals are also wide open to criticism. His claim for four members at Westminster is based on the ratio between Malta's total population (300,000) and Ulster's. In fact, the real comparison should be between the total electorate in Malta (about 120,000) and the electoral quota in Northern Ireland (one member per 70,000 electors). At most, under any such plan, Malta might send two spokesmen like the two anti-partitionist MPs from Mid Ulster and Fermanagh, to glower across the House at any government at Westminster. This might not do much good; but the question to be asked, preferably at a round table conference in Malta itself and preferably also without too many horrified references to the contrary historical tradition of British government, is whether any other solution will do less harm.

A Thousand Babies

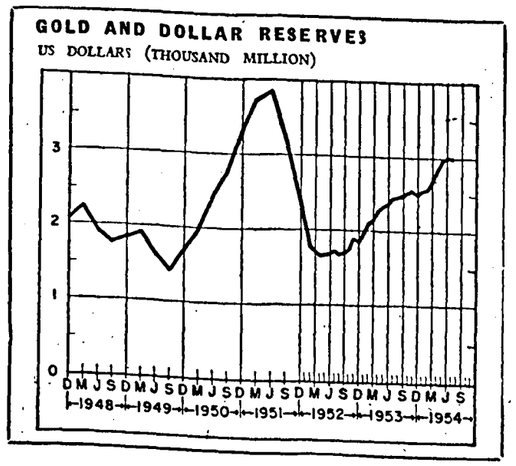
IN May and June of 1947, 1,142 babies were born in Newcastle upon Tyne. A year later 44 of them had died and 127 of them had left the city. The medical history of all but 4 of the remainder was still being observed, as it had been throughout the year, by the late Sir James Spence and his colleagues from the department of child health in the University of Durham and Newcastle's public health department.

The survey of these children is still going on. When it is completed it will provide an invaluable and, for this country, unique account of the major and minor illnesses of children, set against their family and social background. In the meantime, the observations of the first year, published* recently under the auspices of the Foundation and the Nuffield Provincial Hospitals Trust, have yielded some interesting facts. Although the survey did not record really minor ailments, it showed that only one child in five reached its first birthday without illness. Of the illnesses that were recorded, 83 per cent were infective in origin, and of these over half were respiratory infections, ranging from severe colds to whooping-cough, bronchitis and pneumonia. There were 66 accidents, most of them falls or burns and scalds; but dramatic illnesses, like meningitis and tuberculosis, were rare.

The ordinary infectious fevers—measles, chicken-pox, mumps and whooping-cough—are the birthright of most children, though in the first year of life mumps was found to be as rare as whooping-cough was unexpectedly common. It is in the after-effects of these ordinary fevers, and in the frequency and severity with which children are attacked by other infections, that the difference in a child's environment becomes apparent. Newcastle was one of the worst-housed cities of England (judged by the amount of overcrowding) at the time of the survey, and the authors attempted to relate the illnesses they found to the children's social setting. The common cold was apparently unaffected by either the social class of the parents or overcrowding. On the other hand, infants in overcrowded houses were much more likely to develop bronchitis or pneumonia than other infants. Infantile diarrhoea and vomiting were, however, associated with bad maternal care and poverty rather than with overcrowding. Infection with tuberculosis was, unexpectedly, found to be the result, not of a poor environment, but of parental ignorance.

The survey's most important conclusion was that a great deal of child illness is preventable. The authors believe that at least 15 of the 44 deaths among their thousand babies were avoidable, and they put an infant mortality rate of 23 per 1,000 live births (against this 44) as a target. Last year Newcastle's rate was 26.8, the first year that it has not been above the rate for the country as a whole. Perhaps future reports of the survey, covering the first years of the health service, will show a decline in preventable illnesses to match this big reduction in infant deaths.

* A Thousand Families in Newcastle upon Tyne. By Sir James Spence and others. *Oxford University Press.* 217 pages. 10s. 6d.



Fewer Hands to Fewer Ploughs

MR HEATHCOAT-AMORY, the new Minister of Agriculture, will find mixed comfort in the results of this summer's agricultural census. On the whole the census (which was taken on June 4th) suggests that farmers have shown more foresight than the Government. Successive Ministers have called for greater self-sufficiency in feeding-stuffs. The drop of 378,000 acres in the total area of tillage shows that farmers have not heeded this plea; in the event this is perhaps just as well—the alternative, in view of falling world grain prices, would have entailed an extravagant rise in the subsidies. Farmers have, however, responded to the advice of experts by increasing the area under temporary grasses.

The presence of almost a million more pigs in England and Wales must be a source of embarrassment to the Minister. The Government asked for the pigs and paid farmers handsomely to produce them; now it finds that it has fattened rather an expensive luxury. The basic fault was in not paying enough attention to quality of production. By contrast the increase in the number of young beef cattle is welcome and could profitably be much larger.

The fact that will most disturb the new Minister is a further fall (by over 13,000 to 507,000) in the number of regular farm workers, which has now sunk just below its prewar level. Economic progress in agriculture requires a higher output per worker employed rather than a greater total of workers; but it remains true that a policy of further expansion—still officially the Government's aim—cannot be based on a steadily declining labour force. The farm workers' union, in its campaign for higher wages, can make great capital of this situation—although it seems that the lack of rural amenities is still the main factor in the new drift from the land. The Government has two seemingly irreconcilable objectives—to grow more food (which requires keeping the workers) and to grow it more cheaply (which rules out a wage increase). It is in the light of these sombre facts that the new Minister will have to determine his priorities.

China's Sorrow Still

THE Peking press has at last been compelled to admit the vast scale of the flood damage along the Yangtse and Huai rivers. No accurate and full account of the loss of life and damage to crops and property caused by these terrible floods is ever likely to emerge from the new hermit kingdom; but it is already being said that the five-year economic plan itself, now in its second year, is gravely endangered. The human tragedy is a colossal one; and, for the peoples of these great river valleys, it is all the more heartbreaking because millions of them have toiled for the past four years on the building of dams and barrages intended to end for all time the succession of catastrophes that has plagued China since its history began.

To draw a political moral from such disaster may be interpreted as a piece of heartlessness. Yet there are things that should be said, not despite, but because of the natural sympathy and concern of the socialist who

Introducing Whitehall

THE HOME OFFICE.
By Sir Frank Newsam.
Allen and Unwin. 224 pages. 15s.

lately published which he saw

THIS is, appropriately, the first volume of what is called the "New Whitehall Series" to distinguish it from not build its vast irrigation immediate reflection brutal means, however ow obsolete "Whitehall Series" of "After all, a human being quarter of a century ago. The structing a country, he should not merely new, series is Chinese who have worked on these projects the auspices of hands have been continually goaded to great at giving, the official propagandists' promises of early rewards he reearly as 1952, the Minister of Water Conservancy was telling them that the phase of merely preventing disaster was passing into that of the beneficial use of the newly controlled water; and only a few weeks ago the peasants along the Huai were told that they could now, for the first time, live without fear of floods.

It is by such cynical falsehoods, as much as by brutal discipline, that all totalitarian regimes get back-breaking efforts out of their workers; it is by such unfounded boasts that they try to dazzle the outside world.

Bao Dai Faces the Music

THE news that Bao Dai has decided to return to Vietnam surprised even some of those who realise that the "playboy" label still persistently stuck to him should have been detached long ago. Bao Dai's previous absences from Vietnam since his return as Chief of State in 1949 have been a good deal shorter than this one. In the past few months he has gained a theoretical independence for his country, seen himself by-passed at Geneva, and received without comment the news that only half the country would be left to him, at best, after the initialling of a truce agreement to which his delegates did not subscribe. His departure to Evian "to take the waters" while the fate of Vietnam was being decided at the conference table, generally interpreted as a gesture of either cynicism or indifference, may yet turn out to have been neither.

In the circumstances, Bao Dai's decision to return is something of an act of courage; a second abdication would be a good deal easier, for a warm welcome is far from assured to him in Saigon, let alone in the villages. Ngo Dinh Diem, to whom Bao Dai is reported to have delegated full powers, seems to have made a disastrous start, as far as can be judged through the veil of a greatly tightened censorship. Francophobia is being mistaken for a policy, and the refusal of French help in evacuating anti-Communists from Tonking was an unpardonable act of folly. Even in the south, Diem appears to have been losing ground, and Nationalist propaganda has been no match for the Vietminh slogan of "Unity in six months." As for Bao Dai, he will face the unpopularity of an absentee landlord, and a defeated one at that. To counter this he brings a new promise of a detailed programme and a "healthy and honest administration." There is a twenty-fifth hour ring about all this. Yet whatever else Bao Dai may be, he is nobody's fool: he would not return to Vietnam if he did not think there was some possibility of winning the peace, or at least of salvaging something from the ruins of the war.

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...d reserve. After all, Colonel Castillo was sweeping
skies with three airplanes. But when peace was restored at San Salvador on July 2nd the army saved its face and Castillo's irregulars were theoretically incorporated into regular units.

It soon became apparent that the barefoot men from the backlands and the cadets in their polished boots would not get along. The explosion was short-lived but violent. The army won and Colonel Castillo has agreed to disband his cohorts. Nevertheless, his own position appears to have been strengthened and, with army backing, his immediate future seems assured.

Colonel Castillo has suspended the land expropriation, begun under his predecessors, until a new Congress meets, but he has promised that land reform will be carried out. What is less clear is whether the United Fruit Company will get back the 400,000 acres confiscated by Colonel Arbenz's regime. On the whole, the company is being tactful about the past and is hoping to work with the new government. The Guatemalans know that they have become a focus of propaganda in the cold war and this undoubtedly improves their bargaining position with respect to foreign investors. But if they are to maintain this position helmets and sombreros will have to learn to work together.

Four Months' Pay Wasted

THE fourteen-week strike of electricians employed by Messrs. J. Lyons and Company provides an interesting study of the tactics of the Communist-dominated Electrical Trades Union, and of its role in industrial relations. The strike began towards the end of April, when the new supervisor appointed to the company's Greenford works was told by the shop steward that as he had not got a union card the 41 electricians employed there could not work with him. This was curious because Mr Willsher had already been a supervisor for four years elsewhere in the company's service, without either trouble or a union card; and 80 or 90 per cent of Lyons' supervisors are not members of the union. A few days later, the strike spread to Lyons' headquarters at Cadby Hall, and the ETU declared it official. The company then issued a public statement saying that it employed only members of the ETU as electricians, but made no such conditions about supervisors, whom it must be free to transfer as it thinks fit.

The strike went badly from the first. The ETU failed in its efforts to get supplies to Lyons stopped or to persuade other unions whose members were employed by the company to help with funds or sympathetic strikes. ETU members employed at other Lyons establishments voted against joining the strike, although they had to join it when they were called out by their Communist executive on June 10th. But a rebel group soon appeared among the strikers, and by early August the men started creeping back to work. The union leaders tried to stop the rot by threatening reprisals and telling them that negotiations were proceeding through the Ministry of Labour. They also announced that they could not agreed to the conditions on which the employers were prepared to meet them, one of which was that there should be no victimisation of those who had opposed the strike. This announcement came at a time when some strikers were already sick of the whole business; and on Saturday of last week the leaders bowed before the storm and called off the strike.

The story has its lessons for both sides of industry. It should discredit the Communist leadership of the ETU, and open the eyes of all workers to the way in which agitators can lead them by the nose. And it shows management the value of a prompt public statement, which in this case roused public sympathy and stiffened the resistance of those workers who were not prepared to be Communist dupes.

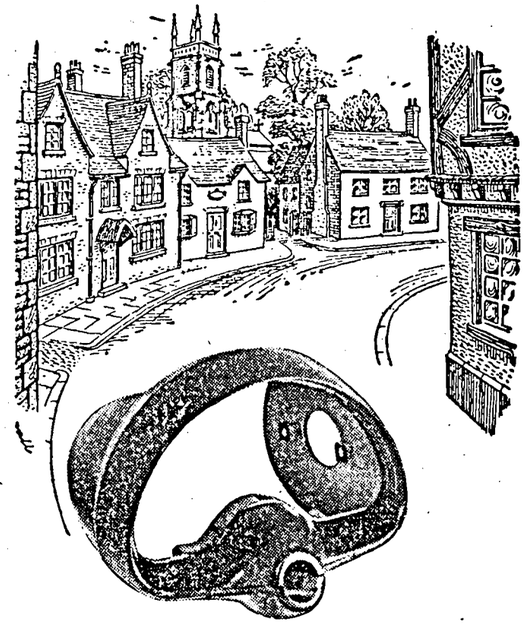
Towns on the Move

THE purpose of the Town Development Act of 1952 was to assist congested cities to export their surplus population to other areas—or, in Mr Macmillan's words, to enable towns to hop instead of to swell. A special issue of the journal of the Town and Country Planning Association* has recently surveyed progress under the Act to date. The most surprising achievement has been the conversion of the London County Council from its old habit of building in the green belt to a programme of long-distance dispersal.

No less than fifty towns have discussed schemes with the LCC. The most distant, Nantwich in Cheshire, was ruled out by the Ministry as too remote, but many towns more than 30 miles from the capital may shortly receive an influx of Londoners. Schemes have so far been agreed for Swindon, Bletchley and Ashford. The principle in each case is that homes should be provided only for those families that can find work locally. The scheme therefore turns on the dispersal of congested factories from London, and industrial considerations rather than pressures of local politics should guide the choice of reception towns.

If this is done, then the Act can be of mutual benefit to London and to a number of country towns whose economic life is stagnant or lopsided. Financially, the cost of developing these towns should usually be less than the alternative of constructing a great number of expensive flats on central sites. Socially, the idea is certainly preferable to a further extension of daily journeyings across the great wen of London. But, in areas such as Lancashire and Cheshire, local government rivalries apparently threaten the Act's success, and central co-ordination is badly needed. The Ministry should take a lead in bringing the local authorities together and insisting on faster progress.

* Available, price 1s. 6d., from The Planning Centre, 28, Kir... Street, W.C.2.



Economy drive

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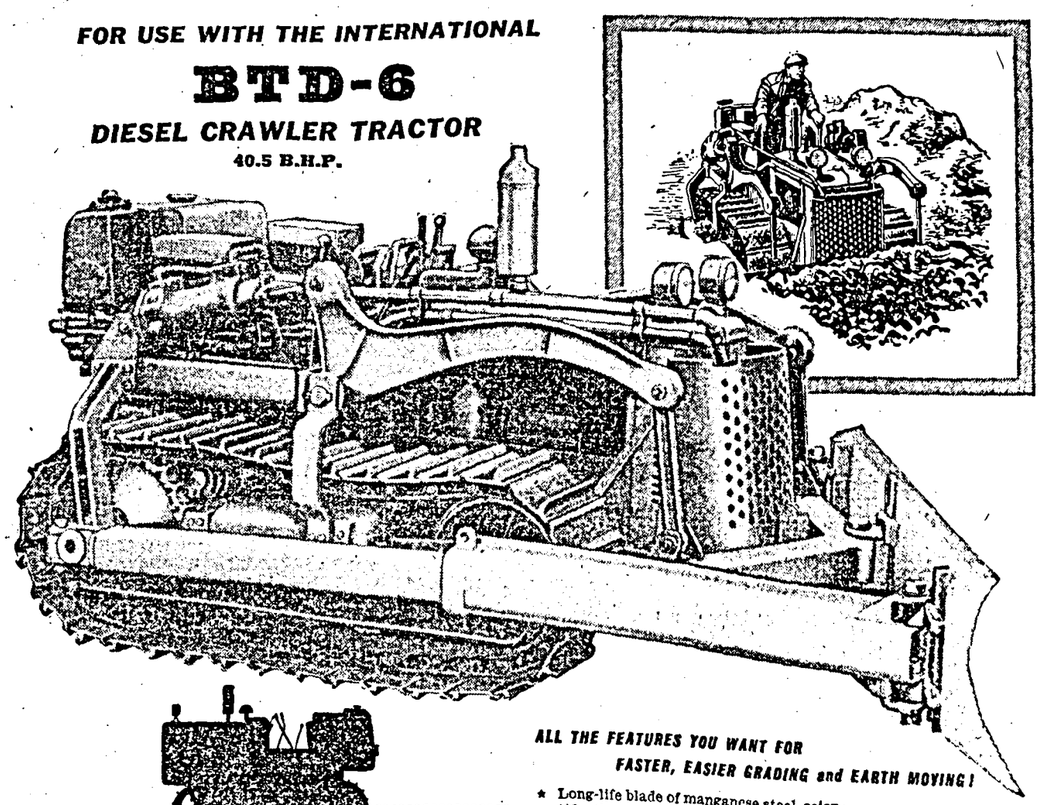
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Letters to the Editor

Wrong Plan for Refugees?

SIR—On July 24th you referred to the presentation by the United Nations High Commissioner for Refugees of a five-year programme to help the 350,000 refugees whose economic integration in countries of asylum is still incomplete. The article, while accepting the principle of international action, suggested that a programme of this nature should be limited to the 88,000 refugees who are still in camps. There are, however, more than 2 million refugees within the High Commissioner's mandate, and the 350,000 are those for whom international assistance in emigration or economic integration is considered necessary.

Of these 350,000 refugees, 150,000 are in Austria and they comprise approximately 117,000 (of a total of 177,000) *Volksdeutsche* and 33,000 (of a total of 39,000) other refugees. The number of *Volksdeutsche* who would benefit from the plan is, therefore, approximately one-third of the total of 350,000. These refugees have been included in the High Commissioner's mandate by the General Assembly.

Your suggestion that the plan should be confined to the closure of the refugee camps does not take into account the situation of thousands of refugees in squatters' quarters and cellars, living on public assistance, casual labour or charity. The 350,000 refugees for whom the plan is designed include only 88,000 in camps. It would be no solution to exclude the out-of-camp population. The effect would be that many refugees living outside camps would become a charge on public assistance, or would be virtually compelled to return to the camps. While the proportion of refugees deserving top priority for help is greater among the camp population, the situation of the 260,000 out of camp is in individual cases often worse.

You state that in all the countries concerned, most refugees are denied economic and social rights—notably the right to work—to which they are entitled under international agreement. This is not true. The 1951 Convention relating to the status of refugees has not been violated. With regard to the legal right to engage in employment, the Convention provides most-favoured nation treatment, with complete removal of restrictive measures in respect of a refugee who has completed three years' residence, or has a spouse or a child possessing the nationality of the country of residence. The Convention has been ratified by Germany and these clauses are applicable. In Austria, while the *Volksdeutsche* have the right to work, the Austrian Government made reservations regarding the right to engage in employment. Italy, which has not ratified the Convention, also made reservations. These reservations would normally imply wide restrictions, but, in practice, only in Italy, of those countries where there are unsettled refugees, have refugees been entirely barred from the labour market.

But even when the legal obstacle is overcome, there are still economic and psychological barriers. The refugee living on charity or on the lowest scale of casual labour lacks the minimum funds necessary for starting a normal life. Whatever his skill or trade, he cannot take it up again without working clothes, tools, raw materials, a workshop, or employment, and somewhere to live if the camp is too far from his place of work. On the social side he needs friendly advice. Years of disappointment have had their effect on morale.

The High Commissioner's programme, to be operated through voluntary agencies, is intended to help the individual refugee to overcome this "dead point" by giving or lending him the minimum means with which he can start helping himself. International moneys are not intended to replace contributions from the countries of asylum, but would serve as a stimulus for national effort. The governments of the countries of asylum as well as other official and private sources would be asked to contribute handsomely to the plan. It is hoped, on the basis of previous experience, that more than twice the sum of $12 million which the UN are being asked to provide will be raised from these other sources.

Those working for refugees hope that the General Assembly's decision this coming autumn will be in favour of international action to reduce the size of the refugee problem. They fear that unless governments are prepared to make at least a small financial sacrifice, the alternative will be no action at all.—Yours faithfully,

STANLEY J. C. WRIGHT
Office of the High Commissioner for Refugees,
United Nations, Geneva

The Cypriot's Dilemma

SIR—If the article in *The Economist* of July 24th gives a correct impression of the (Greek) islanders' state of mind, it would suggest there is little hope of their accepting the offer of some degree of self-government which is shortly to be made to them.

Indeed, the problem would appear

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The difficulties are obviously considerable, but the benefits of a contented Cypriot population are worth a few risks and headaches. Our failure to win over the Cypriots is part of our universal failure to give to non-British peoples of the Commonwealth and Empire that feeling of belonging—*Civis Romanus Sum.*—Yours faithfully,

Malindi, Kenya PHILIP S. MUMFORD

Opinions About Options

SIR—I refer to your article of August 7th and to the "authoritarian wording" of the Revenue's pronouncement (of July 29, 1954) as to the law on the subject, viz. whether the option is taxable when granted or when exercised. The former was apparently until a year or two ago "the official view of the law," and that view would seem to accord with the decision in *Weight v. Salmon* (11 Tax Cases 174). According to the headnote the decision was that "the privilege" (i.e. the option) "granted to the respondent represented money's worth and was assessable to income tax as a profit of his office. . . ." As you rightly point out, the paragraph quoted from the speech of Lord Atkin in that case is ambiguous in its reference to "allotment," but this paragraph should be read in its context, especially the two paragraphs which immediately precede and follow at page 193 of the report.

For practical purposes the Revenue's assertion means that their new view is the law. It is intended, no doubt, *in terrorem* and will frighten off taxpayers from taking up or exercising options, on account of the risk of litigation up to the House of Lords with the further risk, as you point out, of retrospective legislation if the Revenue lose. The Conservative party in office—despite eloquent protests by leading members while in opposition—has apparently no objection to the principle of retrospective fiscal legislation even to reverse a decision of the House of Lords. Cf. Finance Act 1952, Section 72 (2), enacted to negative with retrospective effect a House of Lords decision against the Revenue. Cf. also Section 22 of the Finance Act 1926 introduced by Mr Churchill as Chancellor to negative with retrospective effect the unanimous judicial view ending in the House of

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..., introduced profits tax on a
..."two-tier" basis to constrain
...ompanies not to distribute their profits. In 1948 the late Sir Stafford Cripps made a statement (commonly called "the Chancellor's Umbrella") that company surtax directions would not be made on "private" companies, but he made it clear that this concession was not to apply where there were "avoidance devices." The judges of whether or not desperate attempts to raise money in the form of capital, or on loan, to pay or provide for estate duty amount to "avoidance devices" are the assessing Special Commissioners who sit at Thames Ditton. Able and courteous as they no doubt are, the fact remains that the Chancellor's Umbrella has blossomed into the Thames Ditton Palm Tree. There is no appeal from their decisions on this point. The Chancellor's Umbrella, a conditional concession, has been allowed to become administrative law. The sanction behind it is Section 21.

I suggest that Section 21 should no longer extend to "private" trading companies, and should apply only to "private" investment companies for which already special provision is made. The continued existence of the profits tax in its present form is difficult to reconcile with the application of Section 21 to trading companies. The profits tax has ample penal provisions of its own. The whole trend of fiscal legislation over the period has changed: the new investment allowances and the "two-tier" profits tax are evidence of that. If this step were taken the Chancellor's Umbrella could be folded up and the semi-legislative and semi-judicial activities of the assessing Special Commissioners would come to an end.

This is not an attack on the Revenue officials. Those who have had occasion to meet them professionally recognise them as a devoted, skilled (and mainly underpaid) body of public servants: the principle of ministerial responsibility has been lately and gallantly re-established.—Yours faithfully,

REVENUE Q.C.

Borrowed from Stalin

SIR—We must be grateful to Mr Rothstein for his shocked correction of Mr Zavalani, which shows how right you were in asserting that the words "peaceful co-existence" have a meaning in Moscow totally different from their hopeful meaning in British Foreign Office drafts.

...Soviet Union does not impose ...al system on anyone," quotes Mr ...tein; which must be why it in...ed Finland in 1939, annexed the ...altic States in 1940, and refuses free elections in Eastern Germany in 1954. As for the rest of Eastern Europe, Stalin's letter to Tito (May 4, 1948), not being intended for publication, was frank: "The Soviet Armies created the pre-conditions needed in order to open the way of the Communist Party to power. It is a matter for regret that the Soviet Army did not and could not give this same help to the French and Italian Communist Parties."

The Moscow *Kommunist* article (April, 1954) tells us that the victory of socialism in the USSR "has opened the way for a rapid advance of all mankind to a new, higher state of development" (p. 3); describes the USSR as "the first shock brigade of world revolution" (p. 5) and boasts "the increased might of our country, the strengthening of its international authority, the organisation of an uncrushable socialist camp, the growth of the world liberation movement against capitalism, all this proves that international socialism has entered on a new stage of its development" (p. 5).

If Mr Rothstein likes to call all this "peaceful co-existence" it is clear that he is using the word in its Kremlin Russian sense, not in its Whitehall English sense. The two are poles apart, as you rightly argued on July 3rd. There is something to be said for Mr Zavalani's refusal to accept mere transliteration as a substitute for translation proper.—Yours faithfully,

D. E. MAURICE

London, S.W.13

★

SIR—Mr A. Rothstein's letter, in which he quotes a selected passage from the Moscow *Kommunist*, distorts the Soviet theory of peaceful co-existence. According to Communist ideology, peaceful co-existence is nothing but a convenient prelude to the war between Communist and non-Communist powers — considered ultimately inevitable.

This basic belief has not been superseded by the new slogan of "one world" or by the proposition that an inter-capitalist conflict will take place first. The inevitability of "frightful collisions" between the Soviet Republic and the bourgeois states, as proclaimed by Lenin in March, 1919, has remained a determining factor of Soviet foreign policy. Stalin followed this line faithfully. In 1927 he declared:

> We cannot forget the saying of Lenin to the effect that a great deal in the matter of our construction depends on whether we succeed in delaying the war with the capitalist countries, which is inevitable, but which may be delayed either until colonial revolutions come fully to a head, or finally until the capitalists fight among themselves over the division of the colonies. Therefore the maintenance of peaceful co-existence is an obligatory task for us.

This remains official Soviet policy.

It is high time to challenge the Communist Party to answer clearly this question: Do they think that Russia has abandoned Lenin's view that war between the Communist and non-Communist world is ultimately unavoidable? Yes or no?—Yours faithfully,

JUDITH LISTOWEL
LIONEL BLOCK

"Soviet Orbit," London, S.W.1

In Father's Footsteps?

SIR—The work of Dr Glass and his colleagues, which you review in *The Economist* of July 31st, is clearly a valuable and interesting study. It is, however, easy to draw misleading conclusions from it, and I am not sure that you have avoided doing so when you say of Class I, "the direct influence of a father's position on his son's career seems greater in this class than in any other." On the statistics given this may or may not be true. If, for example, in addition to the 39 per cent who manage to remain in Class I there were another 39 per cent who, while of comparable natural aptitude, failed as a result of their more comfortable home circumstances to make the effort necessary to place them in that class, we should still get the same figure of 39 per cent although the direct influence of their father's position so far from being helpful had been the reverse.

I would suggest that the main reason for the comparative success of Class I is not the father's position but his natural ability combined with that of his wife, and dependent on what I think is now the general rule, that able men tend to marry able women. This agrees with my own observations, as a Civil Servant of Administrative Grade, of the children of my colleagues and university friends and acquaintances, who in so many cases have been endowed with great inborn ability quite apart from any advantages derived from home training and conditions.

Indeed I would go so far as to say that much of the high reputation of the Public Schools for the training which the boys receive in them—although most of them undoubtedly are very good schools—is really due to the large number of able boys who are sent to them.—Yours faithfully,

HAMMOND B. JENKINS

Hadstock, Cambridge

Practical Convertibility

SIR—I should like to add to my letter of July 26th in reply to a letter in your journal of July 3rd from Mr Ernest H. Meili, who had experienced difficulties in paying for excess baggage charges at Hamburg, owing to certain currency restrictions. I am pleased to advise you that we have now received an amended licence which permits unrestricted acceptance of deutschmarks for travel purposes. In the circumstances the difficulties mentioned by Mr Meili will now disappear.—Yours faithfully,

R. L. WEIR,
Financial Controller

British European Airways

Books & Publications

Stasiology?

POLITICAL PARTIES.
By Maurice Duverger, translated by Barbara and Robert North.
Methuen. 439 pages. 30s.

CONTEMPORARY political science is a great coiner of new words. After Mr R. B. McCallum's psephology, we now get M. Duverger's stasiology, the science of political parties. Who shall deny the value of a classical education? Yet M. Duverger is not interested in the antique, nor indeed in any past but the most recent. While he stresses the importance of the origin of parties to their structure and functioning, his account of the early history of British and American parties leaves much to be desired. Indeed the value of this adequate (but not impeccable) translation of a work which has been much discussed since the French edition appeared in 1951 is precisely that it will introduce a wider circle of readers to the way these things look from a continental and more particularly from a French angle. It may incidentally be remarked that the claim that the book has been brought up to date for the English edition is not altogether justified; there is, for instance, no discussion of the electoral procedures used to beat off the Communist threat in the last French and Italian elections. A note here and there might have helped the English reader; one can see some undergraduate coming along to ask what kind of a royalist a "Valois" candidate was in 1936.

M. Duverger's useful, thought-provoking and systematic study suffers from two illusions and one limitation. The first illusion—not perhaps a major one—is that political parties will themselves see the value of such studies and give more assistance to inquiries. Why should they? Generals are interested in victory, not in the universal development of military science among friend and foe alike.

More serious is M. Duverger's illusion that there can be a general theory of political parties for which this sort of study is intended only to set out a number of hypotheses for subsequent testing. In fact, as the book itself shows, there is only a section of the whole field that lends itself to theorising and that is where the operation of parties can be reduced to mathematical terms. What M. Duverger does, and does very well, is to examine in the light of the recent political history of western and northern Europe the operation of electoral systems and their relation to the type of party system evolved by the countries concerned. To a lesser extent, the operation of parties in Parliament inside multi-party systems lends itself to analysis of the same kind, although this part of the study is heavily dominated by French experience.

But when M. Duverger tries in the first part of the book to create a typology of political parties and to examine comparatively their relation to the state and to the people, the formal nature of his approach becomes a source of great weakness. The fact is that no two countries are sufficiently alike for anyone to try to take the elements comprising the party systems out of the whole historical and social background to which they belong. And it is here that M. Duverger's limitations become manifest. His obvious familiarity with his own country and its immediate continental neighbours is simply not matched when he comes to deal with the English-speaking world. Despite references to some recent American literature on the subject, he talks of American political parties very much in terms that Bryce might have used; he discusses neither the very special background that has made the recent history of Canadian political parties so distinctive, nor the lessons about the party-state relationship that might be deduced from a study of Australia. It is useful to be reminded from the Turkish example that a one-party system may have capacities of evolution, but there is no indication that this type of problem is likely to recur in other guises in various parts of Asia. It would not be unreasonable to reply that one scholar cannot know everything and that to omit Asia and (with one exception) Latin America is still to leave oneself with a reasonable field for study. Perhaps more serious is M. Duverger's obvious unfamiliarity with the Soviet scene, which seriously distorts his picture of the Russian Communist party. It is a signal confirmation of the complete failure of the French to develop any serious study of contemporary Russia—a fact which may not be without some political as well as academic significance.

Even so, Professor Brogan is no doubt right in calling attention in his foreword to the wealth of illustration and documentation that the book does contain, if only because it may bring home to some readers the multiplicity of forms that modern democracy may take. Most examiners will agree that nothing can persuade the British undergraduate that any political institutions are superior to those of his own country; but, of course, there is always the possibility that he may be right.

Introducing Whitehall

THE HOME OFFICE.
By Sir Frank Newsam.
Allen and Unwin. 224 pages. 15s.

THIS is, appropriately, the first volume of what is called the "New Whitehall Series" to distinguish it from the now obsolete "Whitehall Series" of over a quarter of a century ago. The present, and entirely new, series is being prepared under the auspices of the Royal Institute of Public Administration, and, we are told, aims at giving, *inter alia*, "a lively account" of the responsibilities, organisation, and methods of working of the Central Government Departments.

The Home Secretary oversees a gross expenditure of £72½ million, apart from the £9½ million spent by the Prison Commissioners, who are responsible to the Home Secretary. Of the former amount, £54 million goes as Exchequer grants to local and other authorities for certain services, of which the following are the most important: the police, who account for £33½ million; child care and approved schools (£9½ million); fire services (£4½ million); and civil defence services (£3½ million). The handling of the department's relations with local and other authorities, to ensure reasonable standards of efficiency in their services, is an administrative exercise of some delicacy.

Since the author is the Permanent Under-Secretary of State himself, the account of the work of this major department of state is guaranteed to be authoritative, nicely balanced and drafted with all that skill with which civil servants customarily prepare documents for the enlightenment of their Ministers. Sir Frank Newsam regards the pattern of his department's duties as determined primarily by the prerogative powers of the maintenance of the Queen's Peace, and the Royal Prerogative of Mercy. Historically, this is correct, though today it is perhaps straining the implications of these terms a little to bring under the former head such services as those for which the children's department is responsible. The fact is that the great variety of the Home Office's functions is due to the Home Secretary's unique position as "residuary legatee" among his ministerial colleagues. He collects all the odd jobs from the protection of animals and wild birds and the regulation of London's taxicabs to marriage guidance and the relationships of the central government with Northern Ireland, the Channel Islands, and the Isle of Man.

Perhaps the adjective "admirable" is a better description of this indispensable handbook than "lively." To compress an account of all these activities and services within a little over 200 pages does not leave much elbow room for the introduction of commentary or asides. Indeed, a conscientious perusal could discover only two non-descriptive comments: the first was that even if we could rely on the effective banning of the atom bomb, the problems remaining from "conventional warfare," intensified

by modern developments, would be sufficient to occupy the time of the civil defence department; the second was the reminder that defeatist views about civil defence against orthodox bombing were sometimes expressed between 1935 and 1939 before anything had been heard of the atom bomb.

The book will save students and thesis writers (especially those abroad), journalists and perhaps politicians quite a lot of time; they will all at least get their facts right. But a critical commentary would have even more value though for obvious reasons this cannot be supplied by a working Head of a Department. It is no criticism of this excellent description of departmental functions to suggest that the New Series might be even more useful if the authors were drawn from outside the civil service and so free to comment on the form and trend of administrative functions. They could still get their facts right with departmental assistance. A copy should then be given to each incoming Home Secretary and Parliamentary Under Secretary.

Nazi Ambassador

THE RIBBENTROP MEMOIRS. Introduced by Alan Bullock.
Weidenfeld and Nicolson. 240 pages. 18s.

THIS blandly preposterous book is all very well for those who know their way about the history of Hitler's Third Reich; it can only be hoped that it will not give undue encouragement to the more childish type of surviving Nazi. From it we learn that Hitler's whole life was devoted to the service of the German people. "He believed that the future of Germany could be guaranteed only according to his precept," wrote Ribbentrop, "That he foundered was fate, so he told me."

Perhaps the least uninteresting parts of Ribbentrop's memoirs are those in which he describes the difference of his approach to Russia from that of his Führer. When German-Russian relations cooled in 1940, Ribbentrop maintains that the change in Russia's attitude was "brought about by US and British concessions" while Hitler, he says, believed that Stalin had never intended to keep faith with him. In the last period of the war Ribbentrop wished to come to terms with Moscow, while Hitler insisted upon fighting to the end; indeed, it seems that Ribbentrop's views in the matter cost him the Führer's favour.

Although his memoirs are full of absurd claims, Ribbentrop certainly made little attempt to curry favour with the victors as he compiled these papers in his prison at Nuremberg in 1946. He seemed positively eager to assume responsibility for the success of the negotiations (mostly in his house at Dahlem) in January 1933 which led to the appointment of Hitler as Chancellor. Further, he made no attempt to conceal his hostility to America. For instance, he chose to state, "Although we were perfectly well aware that, by declaring war on September 3, 1939, Britain and France had yielded to American pressure, we refused to be drawn by any of the innumerable provocations" from the United States, of which he then made a list.

Mr Bullock does well, in his introduction, to point out Ribbentrop's outrageous distortion of the facts about Hitler's treatment of Czechoslovakia; the memoirs are equally outrageous with regard to Schuschnigg and Austria. They are thus misleading without providing any psychological revelation beyond that of vanity and wishful thinking. In Mr Bullock's words, Ribbentrop "leaves only the impression of a protesting triviality unequal to the events in which he was involved."

Economic Baedeker

ECONOMIC DOCTRINE AND METHOD.
By Joseph D. Schumpeter.
Allen and Unwin. 207 pages. 15s.

IT may seem surprising that this forty-year-old classic should have had to wait until today for translation. It is hardly less surprising, at first sight, that today a translation should have been thought worth while. It is true that comprehensive histories of economic thought from Aristotle to Pareto are comparatively scarce, and that there is no reason why a survey stopping short in 1912 should not be as valuable as any other chronologically limited historical work. It is also true that no lapse of time can make the judgments of a really keen and original mind entirely uninteresting. Yet this particular work does seem a curious choice for publisher and translator. It is at once exceedingly dry and exceedingly allusive, its pages peppered with names distinguished only by a single qualifying phrase—"every inch a thinker," "a particularly outstanding member of this circle," "do not have much to offer us," "belong to the dominant school mentioned above"—and a book-title or two in brackets. Some pages read almost like the notes of a desperately conscientious examinee bent on mentioning every relevant name at least once, and indeed the conscientious examinee of any German university in 1912 must have found this book a perfect godsend. To the reader of today these "wrong ideas of dead men"—so very wrong, so very, very dead—might well appear dispensable. The Founding Fathers of the various schools, those whose thoughts, however modified and however deeply sunk into the collective unconscious of economic discipline, continue inescapably to shape the mental habit of today are one thing; Föpple and Fuoco, Beil and Baumstark, Ferguson, Grabski and Zückerkandel are quite another. It is a far cry from this economists' Baedeker to the spacious and distinguished "Ten Great Economists" of two years ago.

Yet "Economic Doctrine and Method" is much more than a guide or cram book. As an historian of ideas Professor Schumpeter displays, among others, one rare and precious quality: the ability to identify and assess the contribution of any man or school positively, as an advance on previous thinking, rather than negatively, as falling short to such and such a regrettable degree of the perfect enlightenment attained in the historian's own age. It is this quality above all that makes the date of writing of "Economic Doctrine and Method" irrelevant. It also safeguards the author—and his public—against the common errors of reading into the phraseology of earlier economists ideas which never occurred to them or, on the other hand, of imputing to them ignorance or indifference on matters which they took too thoroughly for granted to make explicit. His enormous and exasperating erudition is a live thing, a capacity to move as a native in the intellectual climate of each succeeding epoch.

The translation is frankly horrid, the translator having not only explicitly and justifiably preferred fidelity to elegance but less justifiably given up even the lesser ambition of preserving the idiomatic decencies.

America in Europe

FIRE IN THE ASHES. *Europe in Mid-Century.*
By Theodore H. White.
Cassell. 383 pages. 15s.

THIS is an American book about Europe written for perplexed American citizens. Mr White, one of the best United States journalists, has taken the trouble to write, not the expertly detailed work which was at his command, but a survey of Europe that might be profitably read in Nebraska. The style, perhaps deliberately chosen, is one of geo-political enthusiasm in which people march to the polls, dollars flow, taxes are sucked, armoured divisions are deployed near meshing-points and everything is thrusting, incubating, kinetic or in a state of imbalance. But the dynamic language in no way spoils the book; rather it gives it poetry.

The author begins his story over the Atlantic in an aeroplane approaching the coast of Europe and looks at the geography of the Continent "which is more foreign to Americans today than it has ever been in all our history." He compares the night-radiance of European cities; he remembers the quarter of a million American soldiers on the alert across Europe; he tells two excellent anecdotes illustrating the profound French weariness of great events; and we are off on the main theme — "the struggle of America and Russia for the loyalty of the hearts and the riches of the lands in all the countries of Europe."

Mr White describes the final rift with Russia in 1947, the destitution of Europe, the inauguration of the Marshall Plan—he specifies the cargoes of American ships that docked at Rouen and Le Havre one winter's day in 1950—and the semi-frustration of the American economic planners in Paris. The book's quieter centre-piece is a series of portraits, most skilfully done, of Europeans, prominent but of the second rank: the French university professor who rose in the Resistance to the position

of *Commissaire de la République* and later head of the *Sûreté Nationale*; the German young steel prodigy who ran the Ruhr for Hitler and is still running it now; the British coalminer who became the National Coal Board's chief of labour relations. Mr White gives a reasonably optimistic account of the movement towards European union, pointing out that Europe's pregnancy is likely to be longer than the eighteen months required to produce a baby elephant.

But the most interesting chapter is "America abroad," in which Mr White discusses the impact of the United States on Europe and postwar American unpopularity. He holds that America has been quite unsuccessful in explaining to foreigners the purpose and inner essence of American society. "Americans bring their techniques first, the logistics and mechanics of their system, and they leave its mothering, begetting idea to follow naturally behind."

Irish Dip

THE STRANGER IN IRELAND.
By Constantia Maxwell.
Jonathan Cape. 340 pages. 25s.

"THE Irish are fond of strangers, and it costs little to travel amongst them." It is an admirable slogan for a tourist association even if it dates from 1644. Dr Maxwell has hit on the happy idea of selecting the observations made by a succession of travellers in Ireland between the 1580s and the 1840s and of weaving them together to provide an account of events during that time.

It is not at first sight a period in which visitors would be attracted across the sea that was fatal to Lycidas. At a rough count it included five major struggles, and the intervals of peace were due more to exhaustion than to conciliation. But Dr Maxwell is concerned with the stranger rather than with the visitor; so her capacious net takes in Spenser, Essex and a (distinctly ungrateful) survivor of the Armada as well as Arthur Young, Scott and oddities such as John Dunton, "an eccentric English Bookseller"—eccentric indeed if he hoped to do much business in Dublin in the seventeenth, or any other, century.

Being a mixed bag, the book possesses no great coherence; it is admirable, however, as a dip. "The Irish of the southern and eastern coasts follow the customs of the English; those of the north, the Scotch. The others are not very polished. . . ." But the same visitor earns posthumous gratitude in Ireland by stating that "the butter, the beef and the mutton are better than in England." These foodstuffs were washed down by "excellent brandy"; a plain libel on whiskey. All writers agree on what was so great a trial to Newman in the 1850s, the underdone meat that was served to them. One hopes that that has been changed now that a later century has discovered the importance of "tourism" to the balance of payments. An Elizabethan viceroy found tobacco to be an excellent cure, but it was cheaper then.

For the rest, the country does not seem to have changed so much. We read of travelling to races at the Curragh in 1699. In the 1830s a (very dull) German thought his hosts talked too much about horses and dogs. A compatriot remarked that "Ireland is the first country for ruins"; a primacy since imperilled.

These travellers' tales (here and there one can almost hear the locals leading the visitor up the garden) are strung together with introductory essays. At times the reader may raise an eyebrow at Dr Maxwell's summaries; but such is the nature of Irish history. However, she really must not describe hurling as "a rough game like hockey." And it is surely a slip of the pen that so distinguished a historian refers to "the six counties of Ulster."

Great Liar

DANIEL DEFOE.
By Brian FitzGerald.
Secker and Warburg. 248 pages. 18s.

"HOMER more than any other," Aristotle declared, "has taught the rest of us the art of framing lies in the right way." But Aristotle might have changed his mind could he have set "Robinson Crusoe" beside the "Odyssey," for of all the great liars Daniel Defoe is certainly the most prolific and the most assured. When he applied his astonishing faculty to the business of artistic creation—which he appears to have done without much conscious knowledge of what artistic creation is—life had already given him a magnificent start. A turncoat and double-crosser long in successful practice in the political underworld, he had come to regard wary distrustfulness as the prime constituent of human nature, and had evolved an incomparable verbal technique for successfully maintained mendacity. He had founded—he could not have escaped founding—whole reaches of modern journalism. He fabricated obituaries of deceased eminent persons as by suitable hands ("written by the Lutheran minister who assisted him in his last hours, and faithfully translated out of a High Dutch manuscript") and when he scooped for "Applebee's Journal" the reminiscences of Jack Sheppard he improved the occasion by arranging that the celebrated criminal should hand the "copy" to a printer's devil attending him on the scaffold. And this prodigious deceiver was game to the end. The ruined tradesman, the detected and discredited secret agent, the associate and historian of thieves and ruffians, finally passed away while engaged in writing "The Complete English Gentleman."

But Defoe's best lie of all had been about lying. "This supplying a story by invention," he wrote, "is certainly a most scandalous crime . . . that makes a great hole in the heart, in which by degrees a habit of lying enters in." Appearing piously to accept the puritan canon, Defoe set briskly to work exploiting it in "Robinson Crusoe," "Moll Flanders" and the rest—with the consequence that this father of falsehood became too the father of the English novel. The abiding significance of Defoe lies here—lies in all that, wittingly and unwittingly, he achieved of sheer creation. On this ground, unfortunately, Mr FitzGerald is perfunctory and somewhat naïve. His interest is in Defoe's active career considered as a social document. His book will appeal to anyone who wants a lively account of the period, centred in a remarkable personality, and written in a popular style.

Shorter Notices

PRINCIPLES OF BRITISH INSURANCE.
By Harold E. Raynes.
Pitman. 189 pages. 20s.

"Principles of British Insurance" deals with its subject in a refreshingly broad way. Mr Raynes sets out in his book, which is in a sense a sequel to his "History of British Insurance," to "illustrate the universality of a principle from instances drawn from many branches and classes of insurance." Three groups of chapters deal respectively with those principles of insurance that have a purely economic basis, those that have a financial basis and those that stem from common and statute law. Insurance is seen as a process of specialisation in the economy of commerce and industry; while insurance with the market is a highly efficient means of averaging risks, it is not necessarily—as some people within the business sometimes naively maintain—always the best way of doing so.

Although the book is packed with detail, it is very readable. The reader from outside the business is given a comprehensive insight into the principles that underlie the underwriting of insurances which today bring in a global premium income of well over £1,000 million (fully half of which comes from overseas) and which—in the life assurance and annuity branch—are the main channels through which personal savings in this country nowadays reach industry. Principles and practice are, however, not always easily separated; Mr Raynes might with advantage have given the non-technical reader a somewhat greater insight into the practical application of the principles that he so clearly expounds.

Books Received

CABMA REGISTER 1954-55 OF BRITISH PRODUCTS AND CANADIAN DISTRIBUTORS. *Kelly's Directories and Iliffe* for The Canadian Association of British Manufacturers and Agencies. 780 pages. 42s.

MORTGAGE LENDING EXPERIENCE IN AGRICULTURE.
By Lawrence A. Jones and David Durand.
Princeton University Press for the National Bureau of Economic Research, New York. 255 pages. $5.00.

BUILDING SOCIETIES YEAR BOOK, 1954.
Franey. 641 pages. 24s.

DIRECTORY OF RAILWAY OFFICIALS AND YEAR BOOK, 1954-1955.
Tothill Press. 751 pages. £2.

THE INTERNATIONAL WHO'S WHO, 1954.
Europa Publications. 1078 pages. 100s.



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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.

Foreign Aid Yet Again

Washington, D.C.

DESPITE those members of Congress who swore that last year was positively the last time they were going to vote for "giveaways" abroad, mutual aid has survived another annual review. The formidable official front presented by the Administration overcame this determination to call a halt to programmes which not only give no tangible benefit to the American voter but also seem to bring insults and ingratitude from foreigners. After confidential sessions with leading representatives of the State Department, the Joint Chiefs of Staff, the North Atlantic Treaty Organisation and the Foreign Operations Administration, well briefed with charts, visual aids and secret information, each of the four congressional committees involved—the Foreign Relations and Appropriations Committees of the Senate and the corresponding groups in the House of Representatives—recommended in turn what was essentially the official programme. Each, of course, left on some of the details its own characteristic touch or blemish.

The Mutual Security Act of 1954 is a consolidation of eleven previous laws relating to the spending of American money abroad, and the categories of aid are somewhat redefined, so that direct comparison with previous programmes is not always possible. But certain trends are clearly visible: the total spending authority requested from Congress for the current 1955 fiscal year was smaller —$3.4 billion, compared with $4.7 billion for the 1954 year which ended on June 30th and $6 billion for 1953—and the emphasis had shifted a little further from economic to military aid and from Europe to the rest of the world, particularly Asia. Since these trends are popular with Congress, they were strongly emphasised in the presentation.

Under the new aid classifications by far the largest item, "mutual defence assistance," for which $1.5 billion was requested and $1.6 billion authorised, is straightforward military aid—the supply of arms and equipment to allied forces; most of these supplies come from the United States, but contracts are placed abroad for about twenty-five per cent of the total under the scheme for offshore procurement designed to strengthen the defence industries of allied countries. The original request from the Administration for "direct forces support" consisted largely of two items—$800 million to help pay for the war in Indo-China and $75 million as a contribution to the cost of re-equipping the British Royal Air Force with the latest jet aircraft. "Mutual defence support," for which nearly $500 million was requested and $400 million authorised, is economic aid with military strings, to help countries, like Turkey, whose economies would not otherwise be strong enough to maintain their present level of armaments. Turkey, indeed, is the brightest star in the Foreign Operations Administration's firmament; its sturdy defence effort, strengthening economy and proven willingness to adapt its laws to encourage private investment from abroad are a great comfort to FOA when called on to show concrete results for its expenditure of American money.

"Technical co-operation" is the old Point Four programme, involving the teaching of skills by American technicians to people in underdeveloped countries, while "development assistance" is the residuary legatee of economic aid without strings; its most important single item is the American subvention in support of the Indian five-year plan. Nearly $200 million has been authorised for development assistance and $133 million for technical co-operation; the remaining programmes have been allotted $123 million. About half of mutual defence support, almost a third of development assistance and about a fifth of Korean relief will take the form of American agricultural surpluses; they will be given to the governments concerned and sold for the local currency which will, in turn, be available as counterpart funds for purposes agreed upon with the United States.

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By far the most difficult task for the spokesmen of the Administration was to explain, first of all, to members of the congressional committees why new authorisations were needed at all in view of the large sums of money on hand from previous legislation, and then, when the members seemed convinced, to coach them in the arguments they must use to convert their sceptical colleagues in the full debates on the floor. Two sums of money are involved—$7.7 billion which is obligated (that is, committed under orders and contracts already placed for future deliveries) but not yet spent, and $2.6 billion which is earmarked for particular programmes but is neither obligated nor spent.

The first of these sums represents the ordinary problem of the pipeline which affects any military programme because of the length of time it takes to build modern weapons. The second arises because only when there is a congressional authorisation can the American government undertake to supply the equipment for, say, a modernised Turkish Air Force. It might be a matter of years before the Turks would be ready for their new aircraft, and funds set aside for this purpose would remain unobligated until the

contracts had actually been signed or the planes had been released from the US Air Force and were within sixty days of being sent to Turkey.

This complex question gave rise to the most crucial debate in the Senate during the passage of the Act. Since the Administration is not planning to spend more than about $5 billion on foreign aid in the coming year it was argued that, even if not a single dollar of new money was authorised, there were enough funds in hand for at least two years' operations. The attempt of the Democratic Senator Long of Louisiana to cut the requested authorisation by $1 billion failed, but his next proposal, to cut it by half that amount, was carried by 69 votes to 13. The final figure for the authorisation, $3.1 billion, which is in effect a ceiling, was a compromise between the sums voted in the Senate and the House; the figures for the actual appropriations, which will include money to be spent this year under earlier authorisations, have still to be arrived at in a similar manner.

Otherwise the debates revolved around a few particularly controversial points in the programme. By approving, with only a slight reduction, the request for economic assistance for India, Congress endorsed the State Department's thesis that the United States needs to support non-Communist countries even if they do not acquiesce in American foreign policy, in order to prevent them from being driven into Communism by economic distress. Also, by giving the President the widest discretion in the use of the money that had been intended for the war in Indo-China—$712 million was finally authorised—Congress underwrote in advance the State Department's plan for an ambitious programme of economic aid to South East Asia which should wipe out the memory of colonialism and stiffen the people's resistance to Communist infiltration.

*

Two items that were completely wiped out by the House of Representatives were partially restored in the Senate. The House, influenced by a Senate Committee's report on the British aircraft programme, voted against the provision of $75 million to help the re-equipment of the RAF, largely on the ground that American taxpayers would thereby be indirectly subsidising British competition for the American civil aircraft industry. As a result of the Senate's efforts $35 million was put back for the RAF. Secondly, the Senate is doing something to repair a serious blunder of the House, which left the American contribution to the United Nations technical assistance fund out of its Appropriations Bill, apparently because it was worried that American money would be used to employ Communist technicians. This was all the more unfortunate as the recent Soviet decision to contribute to the fund for the first time had been hailed as a great triumph of American psychological warfare.

As usual Congress added to the Act a number of its own thoughts about the conduct of foreign policy by its own and other governments. It declared itself opposed to the entry of Communist China into the United Nations, and wanted a special report from the Administration if this seemed likely to happen. It was in favour of the European Defence Community, and of gradually cutting off military aid from those signatories that do not ratify the treaty; Congress was also in favour of a Pacific Pact. Mr Stassen was given notice that his Foreign Operations Administration must disappear next year because its existence provided an institutional vested interest in the continuation of foreign aid and provisions were also included for liquidating purely economic aid in two years' time. But by the end of this year's debate few members of Congress were doing more than murmuring cautiously under their breath that they hoped this was the last foreign giveaway they would have to provide.

Harvest Home

THE Senate began the week in which it expects to complete this year's legislative harvest by bringing the main load of the important farm Bill into the Administration's barn. A number of sheaves still remain to be gathered up in the agricultural field by the conferees who will have to reconcile the differences between the House and Senate Bills, but on the essential principle of farm price supports both versions agree. Next year the prices of five of the six "basic" crops—wheat, maize, cotton, rice and peanuts—will be supported at levels which may vary from 90 per cent down to 82½ per cent of parity, depending upon supply and demand. Tobacco farmers, who have kept their surpluses under control, will still be entitled to price support at a fixed 90 per cent of parity.

The President and Mr Benson, his Secretary of Agriculture, have thus reaped the reward of their steadfast refusal to be diverted by political arguments from their insistence that the present agricultural programme would sink under the weight of its own surpluses unless flexible price supports were substituted for the rigid 90 per cent of parity which Congress has maintained for so long. Mr Benson had to compromise on a floor of 82½, instead of 75, per cent of parity, but in fact wheat is the only basic crop in such over-supply that its support price might have gone below 82½ per cent in the coming crop year. What is important is that Congress, rejecting the advice of its agricultural committees, has at last given practical recognition to the principle of flexibility for farm prices.

This notable victory was achieved in the Senate, as it had been in the House, mainly by splitting the farm bloc, but on the second occasion less political pressure seems to have been required. Senators may perhaps have begun to suspect that many farmers sympathise with the President's view that an agricultural programme which benefits the whole country is the best kind of politics. Dairy farmers, however, have already, under the existing legislation, felt the effects of flexibility and they have been protesting against last spring's reduction, to 75 from 90 per cent, in the price support level for butter. They induced the House to raise the floor to 80 per cent of parity but in the Senate the President's arguments prevailed on this point too, so that the exact level of future supports for butter prices is one of the points that has to be settled in conference.

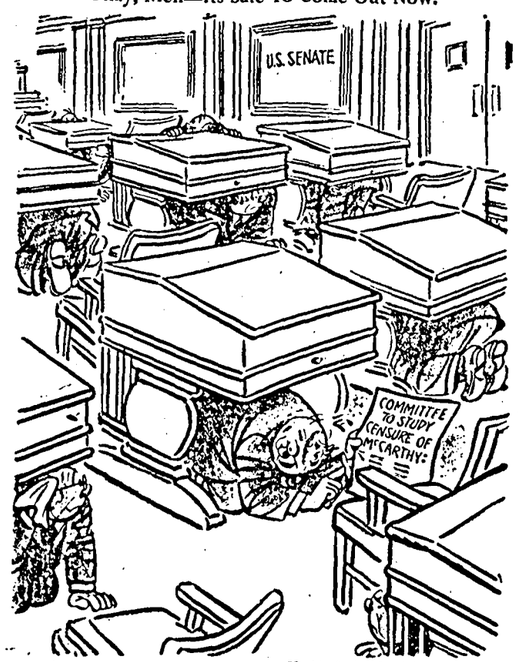
Parity is a standard for farm prices, calculated according to a complicated formula, which is designed to give the farmer a fair return for the things he sells in relation to the costs of the things he buys.

Support Prices are guaranteed by the government, either by means of loans on crops or by direct purchases, in order to prevent the prices of the more important farm commodities from falling below a certain level.

Six in Search of McCarthy

SIX conscientious Senators, three Republicans and three Democrats, have agreed to serve on the committee which is to weigh the charges laid against Senator McCarthy in support of Mr Flanders's resolution of censure. They do not include any of the distinguished names it was hoped to secure, but they command, if not enthusiasm, at least respect. This is not only because of their willingness to undertake a politically unenviable task, but for their judicial temperament—three in fact have sat on the bench—and for their concern for the good name of the Senate. Only one of the six is up for re-election and five come from southern and western states where McCarthyism is not a burning issue. What is remarkable is to find six Senators of whom it can be said that they have not prejudged the case. It is not surprising that the list is weak in striking personalities.

"Okay, Men—Its Safe To Come Out Now."



Herblock in the *Washington Post*

The committee got off to a promising start by unanimously electing Senator Watkins chairman and Senator Johnson of Colorado vice-chairman, and by firmly rebuffing Senator McCarthy's impudent efforts to join its sessions on the procedures to be adopted. A semi-judicial atmosphere will be maintained by excluding the television cameras and forbidding live radio reporting of the actual proceedings, but the public will be admitted. The rules of evidence used in federal courts will be followed. The first task will be to sift the 46 charges: there is evident a disposition to drop some, which "lack substance," and others, such as Senator McCarthy's slander of General Marshall, on the ground that they raise difficult questions of senatorial free speech.

The first cynical conclusion, that the committee had been created simply to smother an unwelcome issue, has been somewhat modified by Senator Watkins's insistence that, although hearings will not begin until August 30th, some time after the Senate finishes its legislative work the report will be in before the election. There are some doubts whether Mr Watkins will be able to keep to his time-table now that Senator McCarthy has been given the right to cross-examine witnesses. And certainly few of the Senators who took cover when Senator Flanders first levelled his resolution will relish coming back to Washington to face the Committee's fire. But the six Senators in the front line evidently do not mean to give the Senate any excuse for ducking a second time.

Economic Dynamite?

FROM A CORRESPONDENT IN WASHINGTON, DC

IT was no accident that the President termed the vast tax revision Bill, now passed by Congress, the "cornerstone" of his legislative programme. His satisfaction with the measure was a reflection, not of its impact on the budget, but of its embodiment of what can properly be termed Republican philosophy. Although in most other areas of legislative action the Republicans arrived in Washington with either no philosophy at all or a simple "ag'in the government" instinct, they knew exactly what they wanted in tax law. Their thought paralleled to a striking degree the moderate conservatism of the Committee for Economic Development, a postwar organisation of twentieth-century-minded businessmen committed to Keynesian counter-cyclical fiscal policy, but sharply anti-New Deal in their view of how the revenues should be raised.

This similarity was more than coincidence; Mr Marion Folsom, the intellectual executive from the Eastman Kodak Company who took over the job of Under Secretary of the Treasury and has worked almost exclusively on tax matters, formerly headed the CED. His labours, and those of the appropriate committees in Congress, have resulted in almost 1,000 pages of legislation and the first complete rewriting of the tax code since 1876 (when it was a simple code indeed by today's standards). This would, of course, have been a major achievement even had it not also been accompanied by a distinct about-face in much of American tax theory.

The Republicans will not presumably be emphasising the point in campaign speeches, but the items in this Bill which Mr Folsom and his chief, the Secretary of the Treasury, Mr Humphrey, most wanted—and got—relate solely to business. They discovered long ago that some relief for individuals would be required too, if only on political grounds, although they shrewdly reduced the impact upon the nation's revenues by providing this relief in the form of correction of "injustices" in the law without changing the tax rates. But their hearts were set on reform in the mysterious—to the public—area of corporate taxation.

The most controversial section of the Bill gives modest relief from "double taxation" of dividends (the phrase arises from the fact that corporate profits are taxed at the corporate level and then again at the individual level after they are distributed as dividends). This was done in the belief, for which there is considerable statistical support, that corporations in the postwar period have been doing far

too much of their financing through borrowing of various kinds (some 75 per cent of all the new money raised) instead of through sales of equities. The consequent debt "overload" is felt to act as a deterrent to new financing and hence to expansion.

Expansion, indeed, is the key word. Republican philosophy holds that the old tax structure, combined with the present inordinately high rates, was a positive deterrent to expansion of business and industry. The conviction that the root of depressions and of prosperity is in the investment sector of the economy and not the consumption sector is sharply challenged by the Democrats, who argue that productive capacity is now, if anything, too great; that more consumption is what is needed; and that therefore any income tax reduction should favour the poorer classes, who spend their money fastest.

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The dividend relief for individuals is probably the least important of the four key provisions for stimulating expansion; some economists, notably Professor Alvin Hansen of Harvard, doubt whether this provision will ever reverse the overload of debt which prompted it. The Administration's favourite remedy is more rapid depreciation. The new law sets up a series of optional methods for writing off new plant and equipment for tax purposes, all of which give corporations the right to charge off much more than formerly in the early years of the life of the equipment.

As it will work out in most cases, a corporation will be able to deduct twice the present amount for depreciation in the first year after purchase of a new piece of equipment and two-thirds of the total in the first half of the equipment's life. Although theoretically the total tax burden remains unchanged, in fact most corporations replace a piece of equipment, or would like to, long before the tax collectors are willing to concede that its usefulness is exhausted. The high rate of write-off in the early years will undoubtedly be an inducement to buy new machinery—an inducement which a few Democrats charge will cost the staggering total of at least $19 billion in loss of revenue over the next eighteen years. It should be noted, however, that such staunch "liberals" as Senators Douglas and Sparkman voted for the provision.

Second comes loss "carryback." From now on corporations which suffer losses will be able to get refunds for taxes paid in both of the two preceding years, instead of only for one year. They will also continue to be able to "carry forward" their losses for six subsequent years. The change is designed to encourage risky ventures which are likely to lose money at first.

Third is reform in a provision originally designed by the New Dealers as a "loophole closer"—a penalty tax on closely held corporations which withhold dividend payments in order to save taxes for the owners. This penalty is felt by Mr Folsom to be a major deterrent to retention of earnings by small businesses, and a drag on their ability to expand. The new law exempts earnings up to $60,000 and beyond that puts the burden of proof of "improper" accumulation of surplus on the Treasury.

In private conversation, Administration economists have been full of examples of Company X which would build a new plant if the loss carryback provision were enacted, Company Y which would launch a purchase of new machinery worth $100 million if the depreciation provision were enacted, and so on. Their confidence may soon be put to the test. Spending on new plant and equipment in 1954 is now scheduled to fall off a shade from last year's record $28.4 billion, according to both private and government surveys; it is expected to decline even more next year. The next surveys should show whether this trend has been reversed; if it has, needless to say there will be an important fillip for the entire economy. The Republican economists are so convinced it will that they unblushingly term the tax bill "economic dynamite."

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The thousand pages of the Bill are, of course, by no means concerned only with major changes in corporate taxation. The relief provided for individuals—ranging from the expenses of travelling salesmen to deductions for the hire of "baby sitters"—is not to be discounted. Under the unusually hazy revenue estimates accompanying the Bill, these provisions (including the dividend relief) will save an unspecified number of taxpayers some $800 million in their taxes this year. Regrettably for the Republicans, most of these millions of taxpayers will probably not appreciate their good fortune in time for it to influence their votes in November; most people have, understandably, given up trying to understand the new Bill, and their next tax returns are not due until April.

Finally, the Bill contains literally hundreds of what are being called "lawyers' changes," designed to correct anomalies in the law, to close some tax-avoidance loopholes, and generally to simplify the tax code. Some of the Administration's proposals, which would have made major changes affecting pension trusts and corporate mergers, proved too much for Congress to stomach. But even the disgruntled lawyers who will have to learn their tax law all over again concede that the bulk of the changes finally enacted were highly desirable. And on the Bill as a whole, the Republicans can congratulate themselves on having written into the law a set of conservative principles whose recognition had for many years seemed only a forlorn hope.

Independents Break Down

A SPOTLIGHT has been turned on the growing troubles of the small "independent" automobile manufacturers by the Studebaker Corporation's announcement that it must end its contract with its employees at its plant in South Bend, Indiana, unless they accept what amounts to a reduction of 14 per cent in their pay. Only thus can the company, which has been operating at a substantial loss this year, get back on to a competitive footing in the industry. In rejecting this proposition, which is now being reconsidered, the members of the trade union also rejected the advice of their leaders, who pointed out that wages of Studebaker employees were still on a piece work basis, which it is now proposed to abandon, and were 20 per cent above the average in the industry. The labour force has already been cut by half and the factory has been working less than half-time this year as the result of the fall in sales of Studebaker cars.

The other independent companies are almost as near a complete breakdown as is the Studebaker Corporation, without having the excuse of an unusually generous wage contract. Altogether the independents have been producing only about 3,000 of the 105,000 or so cars now being made a week, and it is mainly because of the drop in their output that the total is running about 10 per cent behind last year. Employment in the industry has fallen by about 25 per cent in the last twelve months and is expected to fall more in the next few weeks. For most manufacturers are returning to the prewar practice of an almost complete shut-down during August and September in order to retool for the production of completely new models. The particular advantage of such a policy this year is that it should give dealers time to clear their showrooms of the excessive stocks about which they have been complaining. The Chrysler Corporation is already in the process of closing down, and hopes to make a fresh start in October with particularly striking new designs.

How badly this company, technically one of the Big Three, but a very poor third nowadays, needs a fresh start is shown by the recent halving of its quarterly dividend. This came during a period when the net income of the General Motors Corporation was higher than ever before, except during the first half of 1950. This firm is producing just as many cars as at this time last year, well over 55,000 a week, and the Ford Company, with 32,000 a week, has been doing even better than last year.

Another Southern Swallow

THE handsome victory of Senator Kefauver in the Tennessee primary elections adds one more to the string of liberal successes which since May have been the striking feature of the southern primaries. In the still predominantly one-party South, the voters make their real choice at the primaries at which they pick the Democratic candidate. Senator Kefauver won by 380,000 votes to 168,000 for Representative Sutton, who regarded "internationalist" as an abusive epithet, attacked his opponent's "left-wing" tendencies, and promised to try to maintain racial segregation in the schools. Mr Ray Jenkins, of the Army versus McCarthy hearings, won the Republican nomination, but still insists he will not run.

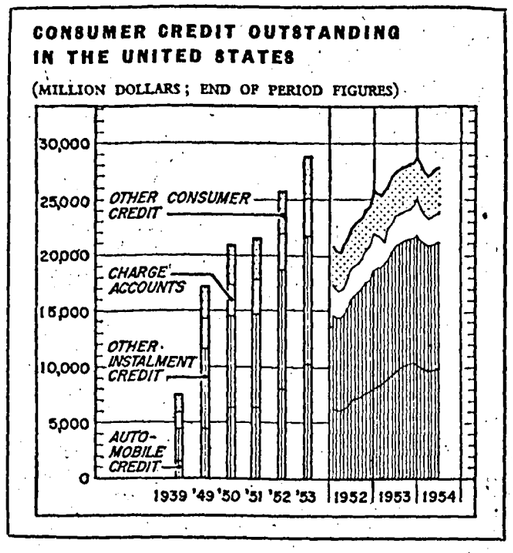
Senator Kefauver is, of course, nationally known for his part in the Senate crime investigating committee and his unsuccessful effort to win the Democratic nomination for the Presidency in 1952; it may be unwise to read too much into his triumph. Nevertheless, the southern swallows are now numerous enough to attract attention. Even in Arkansas, the only southern state where a conservative has won, Senator McClellan was given a close shave by Mr McMath, his liberal opponent.

Victories for southern liberals, however heartening, make no summer for the Democratic politicians calculating their chances of capturing the Senate. Whether the South chooses liberals or conservatives, they bear the Democratic label. The border states, such as Kentucky, where Senator Cooper, for the Republicans, and Mr Barkley, Mr Truman's Vice-President, promise a battle royal, are a very different matter.

The high Democratic confidence of a year ago seems to be moderating; Mr Stevenson talked recently of winning a 20-40 vote majority in the House compared with the figure of 60 which used to be a common Democratic assumption, and Mr Truman has stressed the party's needs for money. The Democrats have had a series of unexpected misfortunes, such as the death of Mr Blair Moody, who was expected to give Senator Ferguson of Michigan a run for his seat. Because Mr Moody died when it was too late to enter a new contender, the Democratic standard will be carried by a little-known labour leader, Mr McNamara, who is supported by a group of dissidents; in the Democratic primaries a protest and "memorial" vote half as large as Mr McNamara's was rolled up for Mr Moody. But in addition to these individual blows, the Democrats are beginning to suspect that the farm revolt and the economic recession, which they counted on to swell the Democratic tide, are failing to materialise, and that consequently their chances of capturing the Senate, in which 22 Democratic and only 15 Republican seats are at stake, are less promising than they were.

Confident Consumers

PERSONAL incomes in June, at an annual rate of $286.4 billion, although higher than in May, were nearly $1 billion lower than in June of 1953, a record-breaking year; but for the first six months of 1954 the total was slightly above the comparable period of last year. The comforting levelling-off in unemployment, a trend which was continued in July, promises that personal incomes will also be maintained at a satisfactory rate. More important from the economic point of view, these incomes are being spent. Retail sales are now running at about the same level as in 1953, after having fallen substantially below that level in the spring; as a result business inventories were again reduced in June, although they are still high in relation to current sales.



The June rise in buying on the instalment plan, although largely explained by the seasonal increase in automobile purchases, shows that consumers have sufficient confidence in the future to be willing to add to their commitments. That they are ready to buy, if manufacturers and shopkeepers offer them things they want at prices they like, is confirmed by the latest report from the reliable Survey Research Centre at the University of Michigan. According to *Business Week*, this report shows that consumers have been reassured by the steadiness of prices and of incomes—and more of the latter are now available for spending as a result of tax reductions. Consumers are thus more optimistic and more inclined to buy than they were at the end of 1953. This feeling is confined almost entirely to the higher income groups, families with $5,000 or more a year, but this is where most of the purchases, of durable goods in particular, come from. The report therefore holds out hope of an encouraging rise in the personal consumption expenditures which are responsible for nearly two-thirds of the gross national product. They have in fact remained very steady over the past year and the explanation of the drop in GNP, from an annual rate of $371.4 billion in the second quarter of 1953 to one of $356 billion in the second quarter of this year, lies in the reductions in private investment and in government spending.

Hindsight About Coffee

New York

THE general effect of the Federal Trade Commission's long-awaited broadside, fired at the coffee trade on behalf of the coffee consumer, is more that of an indiscriminately aimed popgun. The basic conclusion of the report on why green coffee prices spiralled upward from 58 cents a pound last December to 96 cents in April is that, since in fact there was no severe shortage of coffee this year, the explanation must lie in market imperfections, trading irregularities and heavy speculation, both in Brazil, which supplies most of the coffee used in the United States, and on the New York Coffee Exchange.

In reply to the allegations outlined in detail in the FTC's 1,100-page report, the Brazilian growers disclaim any deliberate falsehood in their crop reporting and point out that the increase, from 53 to 87 cents a pound, in the level at which their government supports the price of coffee did not come until two months after the top of the market was reached. It could therefore hardly have been a cause, as the FTC argues, of the price rise in New York, and in any case, say the Brazilians, their government should not be blamed for following a well-established US precedent and protecting the growers of its most important commodity against a price decline.

The Coffee Exchange, for its part, repudiates the suggestion that trading irregularities affected prices and disputes the FTC's contention that the "restrictive contract" used on the exchange limits futures trading to about 10 per cent of annual US coffee consumption, and thus maintains a narrow market subject to wide price fluctuations. The fundamental criticism of the FTC's report, however, is what the *Journal of Commerce* calls its "hindsight." It ignores the essential functions of a commodities futures market, which owes its existence to the inaccuracies inherent in any estimate of future supply and demand and where speculation plays an essential part. Had the market known last December what it knows now—that the first reports of the frost damage to the Brazilian coffee crop were much exaggerated—precautionary and speculative buying would not have been as heavy as it was. But to judge last year's price movements by this year's knowledge, as does the FTC, is clearly unsound.

The legislative remedies proposed by the commission are open to similar objections. The coffee futures market is certainly narrow enough to permit undesirably sharp price fluctuations, but the technical difficulties of broadening the market are very great. Similarly it is doubtful whether coffee could be effectively regulated by the Commodity Exchange Authority which has not so far had to deal with imported commodities. More money for American crop reporting services in Brazil could do no harm, but the experience of domestic crop reporting within the United States suggests that wide margins of error in initial crop estimates are unlikely to be avoided.

SHORTER NOTES

American Airlines, the country's largest airline and the world's largest passenger carrier, has been paralysed by the walkout of its 1,200 pilots. The strike was called by the Air Line Pilots Association in protest against the danger of crews being required to fly for over eight hours on the new trans-continental non-stop flights. The Civil Aeronautics Board has approved this and members of the same union are in the air for longer periods on overseas flights. The two other airlines flying across the continent non-stop schedule their flights at 7 hours 55 minutes which, according to American Airlines, is "unrealistic."

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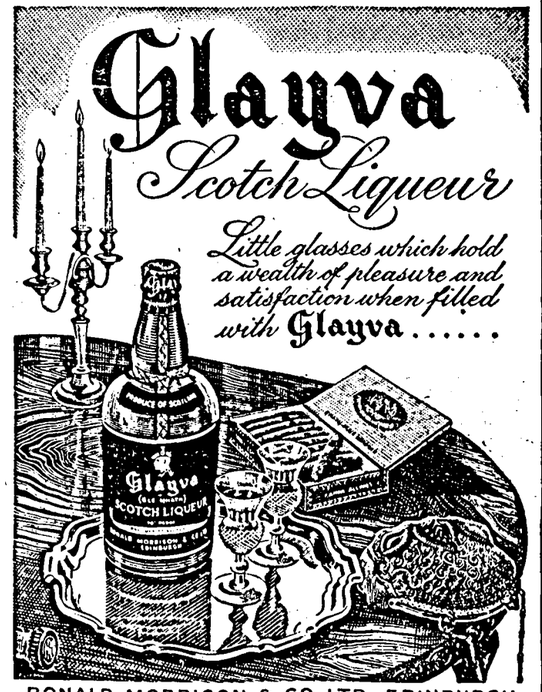
Congress has finally killed, for this session at least, all hope of statehood for either Hawaii or Alaska. The powerful Rules Committee of the House of Representatives rejected a proposal to let the separate Senate and House Bills—the former conferring statehood on both Alaska and Hawaii, and the latter on Hawaii alone—go to conference in an attempt to reconcile the differences between the two versions.

★

The Department of the Interior, with the support of President Eisenhower, has upheld Texas's claim to ownership of the submerged lands three leagues out from the state's coastal boundary. Since the passage of the tidelands oil Act last year, giving coastal states the title to all oil and mineral resources in the submerged lands within the states' "historic" boundaries, Texas has contended that its historic boundary extends three leagues (10.5 miles), rather than to the generally accepted three-mile limit; the federal government is now in the process of leasing underwater areas for oil drilling beyond the state boundaries. The Justice Department has not yet given its views on the Texas claim, which may also be made by Florida.

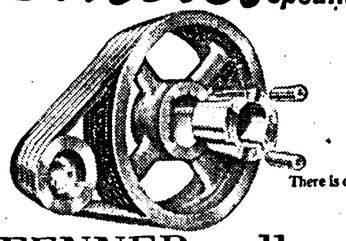
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The Supreme Court, giving practical effect to its recent decision against racial segregation in schools, has appointed its first Negro page boy who will also be the first Negro to attend the special school for the page boys employed on Capitol Hill.



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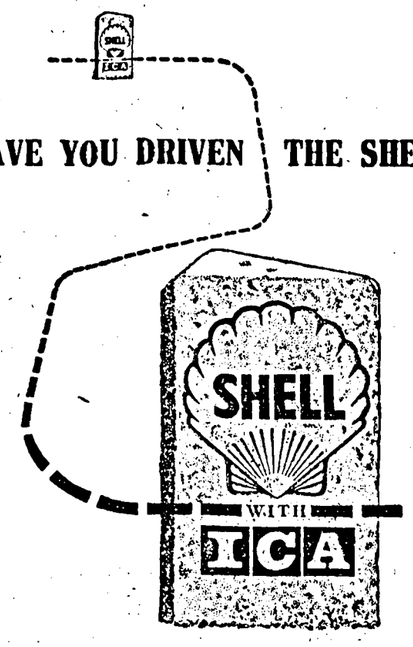
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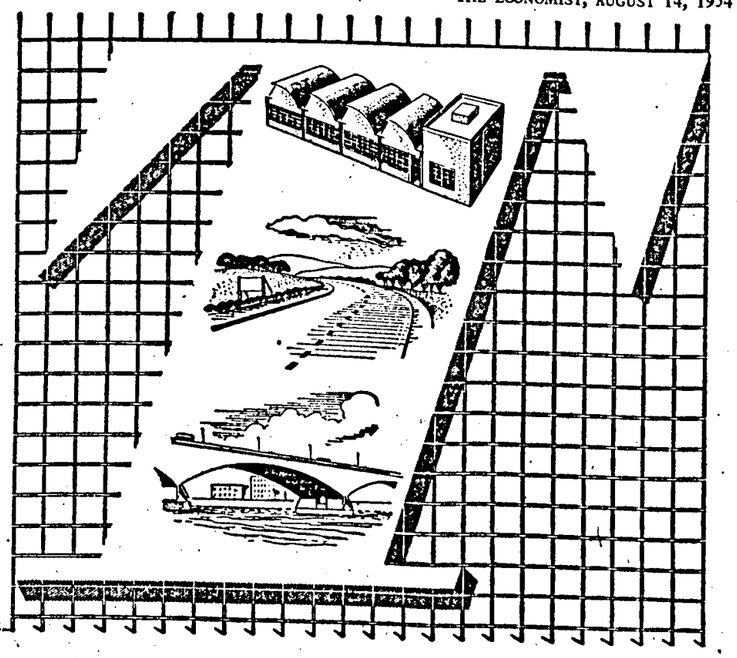


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The World Overseas

Strike and Boom in Germany

THE strikes in Federal Germany have come unexpectedly. Only a week ago, economic reports were recording an almost cloudless sky. Even the business man's perennial worry about the lack of a market in which to raise risk capital and low-interest loans was showing signs of lifting. In industrial circles it was said with satisfaction that the trade unions seemed to be losing ground because the workers were fairly satisfied with the better life that they were increasingly enjoying. This complacent view was statistically based on the drop in union membership that has taken place, leaving only about one-third of the 16.5 million employed persons organised. It was also founded on the fact that Herr Freitag, the Socialist chairman of the DGB (the German Trade Union Congress) had declared that, although bigger wages would be demanded in certain branches of industry, there would not be a general movement for increases. Moreover, peace in the labour world has lasted for so long that everyone had come to feel that "Germans don't strike."

What has happened to shatter this complacency? So far, nothing very much by the standard of Britain. There has been a strike of transport and public service employees in Hamburg, after arbitration failed; and strike orders issued by the Bavarian Metalworkers' Union have been obeyed by a majority of the 200,000 members of the union—one in which there is some extreme left-wing influence. A threatened strike of metalworkers in Baden-Württemberg was settled by a compromise in which the unions accepted an increase of 6 to 8 pfennigs an hour in place of their demand for 12 pfennigs.

A sensational picture of German labour trouble is therefore hardly justified by actual events. The fact of the matter is that an unexpectedly large number of individual branches of unions with about 1½ million members have terminated wage agreements, and these moves may or may not lead to strikes. In the Ruhr improvements have been demanded for 900,000 workers, including about 180,000 of the miners. For the sake of proportion, it may be recalled that the British engineering unions which are now demanding a revision of their wages structure, or a general increase of 15 per cent, cover alone 3 million workers; and that the average wages of British workers are already considerably higher than in Federal Germany.

The executive of the DGB would certainly like to demonstrate its power to give a bigger share of the increasingly large national cake to its members, by increased wages funds and the forty-hour week. But the structure of the unions prevents them from exercising completely centralised direction. Largely owing to the good influence of the British in the early days of occupation, the Communists were frustrated in their attempts to set up a single centralised Union, controlling industrial branches, and the German DGB was formed by democratic Socialists on the pattern of the British TUC, leaving individual industrial unions to decide their own wage policy. In addition, the federal structure of the country enables unions in the various *Laender* to fix different local rates for the same industries. There is, therefore, a lack of uniformity which the Christian-Democrats would like to increase by setting up Catholic unions such as existed before Hitler smashed the whole German union organisation.

Details of the rights and wrongs of the unions' case are not easy to assess, but the main lines of evidence are in their favour. Conflicting statistics on the relation of wages and profits, and the standard of living, are being produced by the research organisations run by the DGB and the employers' association. Some basic points, however, seem incontestable. One is that the German worker has a higher real wage than before the war, but that this is chiefly due to the fact that his living accommodation is still wretched and subsidised. Only about 7 per cent of incomes, instead of double that amount, is now paid in rent by the now average west German compared with prewar days. (This is a situation which will be altered by the present government, which is planning to apply some principles of free market economy to housing.) Another uncontested fact is that productivity has greatly increased in the last year or two, owing to big investments in new plant. Yet another obvious point is that German industry is enjoying a boom. Higher dividends are being paid. Should they, in part at least, have gone on wages instead? The employers' answer is that they must pay higher dividends if a capital market is to be opened up, and they must have public investment for further expansion and modernisation. But objective economists point out that higher wages in Germany mean larger savings, and these funds would find their way back as investment to industry.

To the outside observer it seems that the chief economic adviser of the trade union headquarters, Dr Agartz, and his opponents in the employers' institute are both fighting on weak ground. Dr Agartz wants an "expansionist wage policy" because he argues that the German economy needs an injection of greater purchasing power if progress is to be continued. This is an exceedingly doubtful proposition. The best argument for an increase in wages is that it would

be socially just, and that the money would not be spent on television sets, but mostly on giving the workers a stake in house property, and in savings for a rainy day.

But there is just as little to be said for the exaggerated propagandist objections put up by the employers, and printed in the government sponsored *Diplomatische Korrespondenz.* The line taken is that wage increases would have to be added to prices and would endanger the German currency. As though this hair-raising threat were not enough, it is added that exports would be damaged and taxation reform hindered. The employers' argument —that it would be better to increase production and lower prices—would be exemplary were it not for the fact that German industrialists like to run cartels for the sole purpose of keeping prices up.

The danger of the present labour move is, indeed, in the first place political. It lies chiefly in the intransigence of many German employers, so long spoilt by years of prohibited strikes and by the willing and diligent nature of their workers. It is unfortunate, to say the least, that Dr Dehler, head of the party of "big business," the Free Democrat Party, should have just repeated a demand which roused great indignation in the DGB when he first made it—that strikes in the public services should be prohibited by law. The most serious factor is perhaps that the Bonn government is not accepted by the unions as an unbiased mediator. In the Ruhr-Rhineland, the moderate Catholic Premier, Herr Arnold, once had a coalition with the Socialists, but he has now taken the Free Democrats into his cabinet at Dr Adenauer's insistence. Dr Adenauer needs his coalition with the Free Democrats in Bonn for the purposes of his foreign policy, but the price in internal affairs may prove to be too high if the Chancellor's partners hinder a compromise with labour. The essential for west Germany is that there should be stability, and that the workers should be given a vested interest in upholding the democratic state against extremists of right and left when the present boom is over.

Hush over Cyprus

BY A SPECIAL CORRESPONDENT

AT a blow, Cyprus's new sedition law has deprived the Cypriot Greek press—from that of the Communists on the left to that of the Church on the right—of the theme that has been providing about four-fifths of its editorial matter. By branding as seditious any intention to bring about a change of sovereignty, it precludes all talk of *enosis*. It creates a terrible dilemma for editors, café orators, demagogues and even hairdressers. Seen from London, it may seem un-British; seen from the bosom of the anti-colonial bloc at UN, of course it looks a piece of typical imperialist tyranny; but in Cyprus its effect has been more mixed.

Unforeseen in its timing, and coming after so many years of British inaction and *laisser-aller,* it took everybody by surprise. It created an extraordinary hush, even in private. People were reluctant to discuss it and tended to drift off vaguely if tackled; anyone who spoke up did so in tones of sad resignation. All Greek newspapers went on strike for a week, at the end of which the first to reappear conformed to the law and confined themselves to quoting London newspapers that had criticised it. Are no Cypriot martyrs to arise? If not, and if the only choice Cypriots now see before them is either to shut up or else to emigrate, the Governor will have scored a moral victory by forcing them to show how much or how little they really mind.

Talk is the Cypriots' favourite pastime, and the question of the next months may well be whether, if deprived of the *enosis* topic, they will not have breath to spare for discussing their own politics. When the British government issued the new constitution last month, it was at once unconditionally rejected by both left and right; but it occasioned some new if timid comment in less extreme circles. No adherents of self-government openly declared their hand, but moderates were ready to discuss it and to express serious disappointment that its terms were not more liberal. The scene suggested that quite a few Cypriots were subconsciously hoping for an end to the political stalemate and for a workable scheme of self-government. But no one can prove that they exist unless they speak louder.

Since then the slamming of the door on *enosis* has certainly done more than merely hearten the Government's secret Cypriot Greek supporters. It has, of course, delighted the Cypriot Turks, who sincerely hope that even a constitution will prove unworkable, since they are sure to find themselves at the mercy of a Greek majority. They at least are genuinely appreciative of the benefits conferred by the present arrangement and by their membership of the sterling *bloc.*

The Unpolitical Right

Were discussion of self-government to come into the open, the left wing is far more likely than the right to cash in upon it as a means of increasing its influence. It has in the past shown a lively interest in a constitution, on behalf of which at least two noted Communists have paid the penalty of expulsion from the Party. The right wing, whose mainspring is the Church, has deliberately abstained from promulgating any political policy, chiefly because the Church does not regard *enosis* as a political question but as a national-religious one independent of politics, and also because it does not wish to offer any scope for the Greek talent for argument. A political policy would entail conflict of belief and opinion and lead to immediate disintegration into a dozen cabals and splinter-movements.

Through this absence of policy the Church has lost all "progressive" following; it has kept its place merely as the repository of national feeling and national religion. The Ethnarchy Council is, however, becoming increasingly conscious that its appeal to the worker and peasant is not a strong one, and is looking about for someone to lead a socialist-nationalist wing which might bring it into closer touch with the masses. A certain amount of direct pressure has been brought to bear on people, for instance, by threatening to refuse them burial in consecrated ground if they do not toe the "national" line, but this form of intimidation is not likely to achieve the desired uniformity of thought except in backward villages. For the Cypriot worker, like all industrial workers, is becoming more materially-minded and radical as he sees the bargaining-power of unions increasing and his rates of pay rising.

How strong is the left? Independent diplomatic sources have given the strength of left-wing trade unions as 16,000, and this compares favourably with figures provided by the party (AKEL) itself. The circulation of the Communist daily, *Neos Democratis,* is in the region of 9,000 whereas the ultra-Right *Ethnos* circulates to about 5,000 readers. *Eleutheria,* a middle of the road nationalist daily, has a higher circulation than either. In estimating the strength of the left, however, one should take into account a fact which AKEL has already underlined more than once: namely that the two years residence necessary to qualify for a vote is a strong factor operating against the worker who tends to move from place to place all over the island. AKEL also claims that most village *muktars* (mayors) are automatically right-wing because they are government-appointed and that they tend to cook the electoral rolls and exclude Communists. The Party membership is given as over 4,500, and it is earnestly insisted upon that no financial assistance of any kind is received from outside Cyprus. Needless to say, the Nationalists do not believe this. Nevertheless in support of this statement the Communists point out that in a recent appeal for party funds, where the target was set for £3,000, the appeal fund in a short time grew to £5,000 without any pressure being brought to bear.

While the Nationalists live in the twilight-sleep of their ethni-religious feelings the Communists have a lively argument-provoking *Pravda*-born point of view to offer Greeks who love nothing better than a political argument. The Communists have views on everything from the hydrogen bomb to village drainage, and consequently must appeal to the vocal, journalist-bred element in the industrial areas. More than this, they have a practical *mystique* to offer peasants struggling towards lumpenproletariat-hood, and the lively left-wing youth organisation AON is scoring quite a success among the young with its organised lectures on Marxism. It would not be grossly misleading to estimate Communist influence in the island as swaying somewhere near 30 per cent of the population, though how uniformly one cannot be sure.

One of the most singular things in Cyprus is the total absence of a moderate socialist party—and here perhaps the Church has made its greatest blunder. The few organised moderate elements seem completely vestigial, commanding no support; yet it is a paradox that in talking to Communists in Cyprus one is continually struck by the moderateness of their views, and cannot help feeling that most of them would be quite happy in the British Labour Party.

Mr Menzies Makes Some Changes

FROM A CORRESPONDENT IN SYDNEY

MR ATTLEE will be quoted with feeling and gratitude by future prime ministers who wish to retain the pleasure and prestige of personally handing out the political plums of cabinet membership to grateful followers. He has declared: "I am quite sure that the method of the Australian Labour party, whereby a number of members are elected (to Cabinet) by the caucus and all that is left to the Prime Minister is to fit the pieces into a jig-saw puzzle as best he may, is quite wrong." The value of this judgment is that it comes from a former prime minister who has made, in the opinion of many, an art of political modesty.

Whether the Prime Minister, Mr Menzies, quoted Mr Attlee in the recent wrangling among the victorious Australian Liberals over the membership of the new Federal Cabinet, is difficult to say. But it is quite on the cards that he did since he was faced with demands from a rather restive and ambitious back bench section which contended that it would be a good thing to allow a party caucus to elect, say, half the Cabinet, leaving the Prime Minister to appoint the rest, according to the Labour practice. For a Prime Minister who has sometimes been accused of being a "one man government," these were decidedly uncomfortable, if not dangerous, thoughts to have rumbling among the back benches. On the other hand, Mr Menzies could convincingly argue that a caucus-elected Cabinet tends to be weak (see previous Labour cabinets); and that a caucus is more inclined to look upon the beauty of the political countenance, than upon the heart of administrative ability.

It was not, therefore, altogether surprising that the only difference in Mr Menzies's new Cabinet was that four Ministers had played musical chairs—with the Prime Minister calling the tune. Mr H. L. Anthony relinquished Civil Aviation but remained Postmaster-General; Mr A. Townley took over Civil Aviation and Air, but relinquished Social Services; Mr W. McMahon, took over Social Services and relinquished Navy and Air, and Mr J. Francis, took over Navy to pair with his usual Army portfolio.

Streamlined Committees

This small reshuffle has given realism to the new defence policy of priority for Air Force expansion. Previously, with both Air and Navy under Mr McMahon, this Minister was in an impossible position in the Cabinet when the merits of boosting land-based airpower at the expense of sea-based airpower was being discussed. This source of ministerial embarrassment persists, however, in the linking of Army and Navy under Mr Francis. But since these two services are to give budgetary ground in favour of an expanded Air Force, Mr Menzies evidently thought it wiser to concentrate the slaughter in the hands of one hatchetman.

In addition to these changes, Sir Eric Harrison, Vice-President of the Executive Council, Minister for Defence Production and Deputy Leader of the parliamentary Liberal party, took over some of the administrative functions of the Prime Minister's department. This was designed to free Mr Menzies for work in the larger field of policy. The shape of policy to come, however, will be considerably determined by the new system, for Australia, of cabinet committees. These will practically replace the old and cumbersome cabinet of 20, which has sometimes been likened to the tower of Babel.

The new system will free Mr Menzies from the chairmanship of cabinet committees old style, though he will, should he so desire, attend any one of the new streamlined affairs. This means that the sixth Menzies Ministry will have its cabinet cake but will subsist mainly on committee fare. There will be questions, no doubt, as to why the British system, which was urged by newspapers favouring the government, was not adopted; by this is meant the practice of distinguishing between Ministers who were members of the Cabinet and those who attend only when the affairs of their own department are under discussion. Although the new committees will do the donkey work of government, even making their own decisions as "cabinets" in their

own fields, the system still involves the full Cabinet when a committee cannot make up its mind. Here is a fruitful field for the political tacticians and artful dodgers.

Mr Menzies' own "roving commission," where the committees are concerned, suggests that he is aware of the dangers of a multiplicity of cabinets in place of the former loquacious monster. Freed from the administrative desk, it is to be expected that the Prime Minister will maintain a constant tour of the committees, in order to keep tabs on their policy decisions and to prevent what has been criticised as "excessive compartmentalising" of authority. Certainly, to have ministers bickering across several small tables would be more confusing than across the old large one.

Two Years of the Schuman Pool

TODAY the words "Luxemburg makes progress" or "Luxemburg suffers a setback" appearing in any journal in Western Europe never makes people wonder what new development is rocking the Grand Duchy. The words are, rightly, taken to refer instead to the European Coal and Steel Community, whose headquarters occupy an impressive building in the centre of the city of Luxemburg.

Two years ago, on August 10, 1952, the High Authority of the Community took office and began to carry out the treaty for the creation of a common market for coal and steel which had been signed and ratified by France, the Federal Republic of Germany, Italy and the three Benelux countries. The essential thesis of the treaty is that national barriers should cease to exist for coal and steel and that any regulation of the market that may be required, such as fixing prices, setting quotas, or allocating products in short supply, should be done by the institutions of the Community rather than by national governments. The Community institutions are also to ensure that both governments and enterprises live up to the regime of a freely competitive, non-discriminatory market that is written into the treaty.

The drafters of the treaty and M. Monnet and his colleagues on the High Authority have, from the start, emphasised that the Coal and Steel Community is different in kind from other international organisations and is a supranational, rather than international, entity possessing powers and responsibilities which are sovereign in character although limited in scope. For some of the more visionary among them, the Community is the tangible beginning of a united Europe; for all of them it is an exciting experiment. In many ways the unique aspect of the achievement of the High Authority in the last two years has been its ability to keep its head in the clouds but its feet very squarely on the ground.

The two-year record is a good one, but it is a record of careful ground-work and sure-footedness rather than of spectacular achievement. If at times the High Authority has moved slowly, it has moved surely. It has tried to anticipate its critics and to disarm potential opposition before it could come to a head, and it has deliberately avoided any premature tests of strength.

The common market for coal was opened on February 10, 1953, for steel on May 1, 1953, and for special steels on August 1, 1954. Today, for all commodities covered by the treaty, no tariffs, or quotas, or controls through currency restrictions exist within the area. No government sets prices, or production quotas, or allocations, and prices are, at least in theory, the same to all Community purchasers regardless of nationality. The common market has led to some increase in the movement of coal within the area and a modest increase in trade in steel, although the general pattern of trade in both remains overwhelmingly traditional. Prices have softened a little but remain high. Production of coal has remained fairly stable; production of steel declined somewhat but is now recovering. The consumer has, perhaps, more freedom of choice but, except in particular areas such as Belgium where he profits from special subsidies, the effects have not yet been sufficiently pronounced to make him an articulate supporter of the Community. The producer has been more vocal, but he has not yet been hurt. The cry of "*dirigisme*" has been a persistent one heard loudest, but not only, in the Ruhr. But thus far the High Authority has been careful to give little substance to these fears.

The common market is a legal reality and much more, but it is still neither completely free from certain forms of national discrimination nor from restrictive arrangements, concealed subsidies, distorted freight rates and the like. The High Authority has probably been most open to legitimate criticism from its well-wishers for its gingerly approach to the dynamite-laden Articles 65 and 66 of the treaty, the first of which deals with cartels and other arrangements restricting competition, and the second with new concentrations (mergers, etc.) which would have effects contrary to the treaty. The High Authority has taken full advantage of the fact that no rigid timetable for action was laid down in the treaty and is exhausting the possibilities of preliminary fact finding. The test of strength with the cartels, if it comes to that, will be this autumn, but the High Authority hopes to avoid a head-on collision and to work out with the principal associations enough modifications in their existing arrangements and practices so that they can be found to conform to the treaty when the High Authority's self-imposed October deadline for decision arrives. A few minor authorisations have been issued under Article 65 and some new concentrations permitted under Article 66 but the big decisions still lie ahead.

Maze of Transport Rates

Further action on transport rates is also required before the single market will be a reality. Transport within the Community, like intra-European transport in general, is encrusted with practices of long standing based on the assumption that national discrimination is a desirable policy and that it makes sense to charge foreigners a higher rate than the local inhabitants for the same services. The task of the experts who have been told by the High Authority first to isolate the distortions and discriminations and then to recommend how to get rid of them is an unenviable one. But by the end of last year the more obvious forms of discrimination had been abolished.

Now the experts are working their way through a maze of national and international rates arising from the differing national treatment of rail and water transport, the differing rates at which the cost of carriage falls in relation to the increase in the distance carried, and the differing "spread" in charges as between countries (in France ore costs about the same to ship as coal, in Germany it costs less than half as much). Coal, steel, and iron ore loom large in terms of the total traffic carried by both rail and water and if the High Authority can succeed in "harmonising" national transport policies for these products its work should affect all transport throughout the area.

The establishment of the common market is a means to an end, not an end in itself. Article 2 of the treaty outlines the mission of the Community. Through the institution of the common market it is "to contribute to economic expansion, the development of employment and the improvement of the standard of living in the participating countries." In addition, the Community must establish conditions which will assure

> the most rational distribution of production at the highest possible level of productivity, while safeguarding the continuity of employment and avoiding the creation of fundamental and persistent disturbances in the economies of the member States.

Thus, the High Authority as well as having the essentially regulatory functions of ensuring that the single market stays a single market and becomes progressively more competitive, has a positive mandate to increase productivity and improve the standard of living.

The objective of increasing productivity is at the heart of the High Authority's investment plans. In April, 1954, negotiations for a long term, low interest bearing loan of $100 million were concluded with the US Administration. M. Monnet has made it clear that the principal economic reason for the loan is the urgent need to bring down those costs which contribute much to the relatively high steel price, and he has stressed the need for capital on reasonable terms to modernise the coal mines.

Encouraging Investors

Two weeks ago, the High Authority released a summary of the principles that would govern its actions in the field of investment and invited applications for credit. A quarter of the loan has been earmarked for miners' housing, the other three-quarters for re-equipping coal mines, for iron ore mines, for colliery power stations and for coking plants. In granting credits the High Authority will give consideration only to projects which will yield results within three years. In no case will the High Authority put up the total amount of the credit required. On the contrary, it intends that its existing, and future, financial resources should be used in such a way as to have the maximum possible impact on the European capital market. By putting up only a share of the total funds required for any project and by relying on normal financial sources for the rest, the High Authority hopes not only to make the loan go further by encouraging reluctant investors, but to bring forth money at low rates of interest since its own will be loaned at about 4 per cent, a low rate for Western Europe.

The history of the loan negotiations and the statements made by the High Authority on how it hopes to use the loan illustrate the capacity of the new institution for coupling a hard-headed businesslike approach with an acute awareness of broader issues and the ability to derive maximum political advantage from its actions. M. Monnet's interest in obtaining an American loan as his first important financial venture clearly had strong political overtones. Such a loan would be much more than funds for modernising coal mines; it would be a clear vote of confidence by the American Government in the Community.

Soviet Attacks on Religion

AN anti-religious drive has just been launched in the Soviet Union. The fighting atheists—heirs of the once powerful "Godless"—have now been recalled from the reserves and are being pushed into action. The call-up was prepared by a press campaign describing the hold religious "superstition" still has on the Soviet countryside and even on Communist party members. In the last few weeks there have been many references in the press to young Komsomols preferring the pomp of a Church wedding to the drabness of the registry office; to high party officials allowing their children to be christened; to farmers and workers leaving work to attend religious ceremonies.

The party is now mobilising for the "counter-attack." The signal was given by *Pravda* earlier this month in a leading article entitled: "Let Us Spread Scientific-Atheist Propaganda." The appeal was duly echoed throughout the Soviet press, but the struggle is apparently to be waged, at least for the time being, on the theoretical and propagandist plane. Indeed, *Pravda* skilfully, and somewhat paradoxically, argues that Article 124 of the Soviet Constitution, allowing both religious freedom and the freedom of anti-religious propaganda, is too often interpreted unilaterally; that the second right is simply neglected. Trade unions, schools and colleges, journals and publishing houses are taken to task for not doing their anti-religious duty or for carrying it out in a superficial and unattractive fashion. The order now is for more and better pamphlets and propaganda.

According to Marx's famous saying "religion is the opium for the people," but in Russia "religious superstitions" are now held responsible for a more concrete form of intoxication, namely drunkenness. Many collective farms apparently have saints as their patrons, and on their saint's days in the calendar they indulge in drunken orgies. At this very moment, when the harvest must be gathered in, it is argued that precious labour is lost in this way. The rulers must resent even more the fact that many workers, too, observe holy days and absence from work on such occasions is often tolerated by the factory authorities.

What Weapons Will Be Used?

But economic considerations, though they play a role, are not the only reason for the present campaign. The new regime honestly admits that after 37 years of Soviet rule the thirst for religion has not been eliminated in the Russian countryside, nor even in the towns. Stalin's successors deplore and possibly fear these "remnants of the past," these "survivals of an outworn mentality." But will they now be combated merely with the weapons of materialist propaganda? In the early days of the revolution, too, the Society of Godless started with a theoretical offensive, with scientific propaganda and elaborate open debates between party pundits and church dignitaries. Soon after, however, the Church was attacked as a class enemy, many priests were eliminated and most churches closed.

Indeed, a truce between the State and the Orthodox Church was only patched up in the late thirties. Stalin, embarking on a more national line, concluded that a friendly Church under proper control was a better proposition than a hounded clergy driven underground. The cease-fire was actually clinched in 1941 when the "Godless" were dis-

banded and their organ closed down. Stalin derived considerable benefits from this alliance. The backing of the Church was useful for patriotic propaganda during the war, and since then the Orthodox clergy has stuck to its part of the bargain. Patriarch Alexei of Moscow supported the Soviet case on political issues such as Korea. Finally, the relatively mild treatment of the Orthodox Church and religious toleration in general enabled Russia to gain much goodwill among western Christians and Moslems.

Do Stalin's successors consider that all this is not worth a mass? They may not want to break the truce, but they seem genuinely worried about the spread of religious feeling in the country. Their present moves must be viewed as part of a general campaign to strengthen the Communist "outlook" of the population. This is probably for them an essential precondition if the Stalinist straitjacket is to be loosened. Whether in the process they lose all the advantages of the understanding between Church and State will largely depend on the manner in which the new drive is carried out. Will it really be limited to pamphlets, lectures and other forms of propaganda?

Japan and the Bomb

FROM OUR TOKYO CORRESPONDENT

ON the ninth anniversary last week of the atomic bombing of Hiroshima, the Japanese fishermen injured after the Bikini explosion last March were allowed to receive the Press for the first time. Chushi Yamamoto, whose condition is still serious, summed up popular Japanese sentiment with the acid remark: "I trust there are people in the United States, too, who are grieving about our fate, but I regret that we have not yet heard their voice." The startled sensitivity of the Japanese over the hydrogen bomb in general and the Bikini tests in particular does indeed remain as sharp and prickly as ever. The national mood is one of vague and confused resentment, of angry self-pity, which is neither logical nor reasonable; it can best be likened to the muddled alarm of a troubled sleeper, awakened by a pistol-shot somewhere down the street. The discovery that the pistol was fired, perhaps a little carelessly, by a watchman who is technically guarding the sleeper's house has not allayed irrational resentment. Indeed, in the light of day, one suspects that the annoyed sleeper is, unconsciously maybe, gratified to have an excuse for reproaching and even criticising a watchman whose heavily benevolent protection, while a temporarily necessary evil, has become irksome.

The public reaction was immediate and widespread, with undertones of hysteria that were certainly not soothed by official pronouncements. Advertisements for "radioactive-proof" raincoats, umbrellas and soap, reports that the gentle rain from heaven was radioactive, warnings that parched mountain-climbers should not eat radioactive snow, and rumours that migratory swallows from the south were registering high geiger counts all combined to foster a feeling of panic, which recently led the public health authorities to issue assurances that it will be safe to swim at Japanese beaches this summer. This feeling has, as a matter of course, inflamed, and appeared to justify, anti-Americanism.

The official reaction is even more significant. There has been a strong, resolute and popular declaration of Japanese independence, which should not be treated lightly in the West. American experts were not allowed to help treat the unlucky fishermen from the *Lucky Dragon* who were contaminated by the radioactive dust from the Bikini explosion. A special shipload of Japanese scientists was despatched to examine the Bikini area, presumably to make sure that an atomic explosion had in fact taken place. The argument over damages for injury to the fishermen and for loss of condemned fish is certain to be prolonged and acrimonious, regardless of the fact that simultaneously the Japanese are pleading strenuously for additional dollar help.

Above all, the hydrogen bomb has had the tremendous effect of giving all shades of Japanese political and social opinion a sudden unique opportunity to unite on a Japanese attitude towards a foreign power. The conservatives can reproach the United States, the Communists can fulminate against the United States—for once, Japanese all. This is the real lesson and enduring warning of the uproar.

It must be admitted that American handling of the unfortunate emergency left much to be desired. The Ambassador, Mr Allison not only said nothing, but gave the unfortunate impression that he did not know what to say—or perhaps what Washington would allow or like him to say. Then, when the foremost American atomic authority arrived post-haste, in circumstances of such secrecy that all the wild rumours were redoubled, he was foolishly allowed to roam, with mild scientific curiosity, around Tokyo's Tsukiji fish-markets in the care only of a third secretary, and was there actually photographed taking a geiger count of a tuna carcase intended for the American market. Hence arose the monstrous theory—endorsed regrettably by the usually intelligent newspaper *Asahi*—that his visit was designed solely to ensure that fish caught in doubtful waters and intended for export to the United States were safe. The inference, openly published and still widely accepted, was that the United States was completely unconcerned with possible Japanese contamination.

Suspect American Intentions

There is no advantage in deploring, much less chiding, this spontaneous Japanese reaction. There is no point in arguing that the Japanese completely ignore Soviet possession and tests of the hydrogen bomb. (Indeed, no Japanese criticism of the Bikini tests or protests against development of the hydrogen bomb ever include a reference to the Soviet hydrogen bomb.) Atomic warfare, in Japanese popular judgment, is essentially a product of the United States. This view may be a hangover from Hiroshima and Nagasaki, but the detached observer here is forced to conclude that it is, fundamentally, a rationalisation and seeming justification of a wide and growing fear that, in some sinister fashion, the United States is inveigling Japan into a war which would otherwise pass it by.

In simple terms, the situation is that the Japanese feel that they are isolated from, but vulnerable to, international moves and counter-moves which affect them vitally, but which they cannot control, or on which they are not even informed—they feel that they are still dependent on one side in the world struggle and thereby unwillingly half-committed to that side. The fact that most of them would probably prefer to be on that side—given a choice—should help to explain their universal baffled resentment. Bikini has given them an excuse to close ranks, for the first time since the war, in confused but instinctive revolt against an inarticulate but deeply-felt consciousness of humiliation, helplessness and subservience.

NOTES FROM CANADA

(These Notes are contributed by our correspondent in Ottawa.)

Canada on the Truce Commission

CANADA had grave misgivings about accepting a place on the truce commissions for Vietnam, Laos and Cambodia, and the Government was rather careful to see that they were well known. There was never any real chance that Canada would risk upsetting the Geneva truce arrangements by refusing, but it seemed prudent to make sure that everyone (and particularly the Canadian voters) understood from the beginning that this was no picnic.

It is, in fact, one of the most difficult responsibilities that Canada has undertaken since the war. The usual patriotic bromides about "enhanced international status" seem less adequate than ever to cover the discharge of a responsibility which has no possible chance of bringing tangible reward and all-too-great a chance of bringing loud reproach. It is no consolation to be the most acceptable of the western powers in the eyes of the Communist bloc; and the private assurances of the United States Government that it welcomes Canada's participation do not remove the fear that before the whole business is over a good deal of mud will have been slung from south of the border — though not, perhaps, from the Administration itself. The truce commissions cannot work at all unless the Canadians can agree either with the Indians or with the Poles or, sometimes, it is hoped, with both. To agree with the Communist Poles about anything at all is liable to be an offence in the eyes of some American critics; and some Canadians have been wondering whether it will be considered any less an offence to agree with the Indians.

The most solid ground for hoping that the truce commissions may get through their work quietly—and this is the most anyone expects—is that it may suit the Communists to make the truce arrangements work. Ho Chi-minh and his Chinese backers may well calculate, it is thought, that in Vietnam they have a good chance, as they never had in Korea, of getting all they want by free elections. If so, a demonstration to the world that supervised and impeccable elections upheld their claims could be presented both as a sign of Asiatic solidarity through Communism, and also as a proof in both east and west that it is perfectly possible to deal with the Communists provided those difficult Americans are kept out of it.

* * *

Mr St. Laurent Sails on

THE Liberal Government of Canada is now in its nineteenth consecutive year of office, and the divided opposition forces appear as impotent as ever. One of the secrets of this longevity, though possibly only a minor one, is the ability to reverse the old saw: "Plus ça reste la même chose, plus ça change." After this summer's changes the Liberal Cabinet of twenty contains only six ministers who served in the last of Mr Mackenzie King's cabinets only five years ago. Mr King, who held office with only one short interruption from 1921 to 1930 and again from 1935 till his retirement in 1949, had the reputation of keeping his cabinet ministers "on the hop," changing them round even just for the sake of change. His successor, Mr St. Laurent, has none of this propensity. His inclination seems to be to leave his ministers alone.

This summer's triple resignation was not fomented by the Prime Minister. The three ministers concerned, who had all been known at one time as the "coming men" of the Cabinet, had each his own reasons for going, none of them stemming from disapproval of party policy or of Mr St. Laurent personally. Mr St. Laurent quietly plugged the gaps, promoted two of the new coming men, brought in two new members from Quebec (one English- and one French-speaking), and sailed serenely on. Most significant of the promotions is that of Mr Walter Harris, a Baptist lawyer from rural Ontario, to be Finance Minister. This immediately seems to put Mr Harris well in the running for the succession to Mr St. Laurent (who is 72). Long a politicians' favourite he now has a chance to capture public support, which he has so far missed by keeping out of the limelight.

* * *

Unemployment Danger Signals

ONE of the controversial questions the new Finance Minister will have to deal with is tariff policy. In the time of his predecessor, Mr D. C. Abbott, which covered all the postwar years, Canada was both busy preaching reduction of tariffs to other countries and practising what it preached. But it was a favourable time for low tariffs; Canadian industry was fully employed, with few exceptions, and was meeting the demands of a sellers' market in competition with foreign exporters.

Mr Harris on the other hand will have to face much more pressing demands for higher tariffs than ever confronted Mr Abbott. Employment has recovered satisfactorily and unemployment has declined as Canada moved into a belated summer; good markets for lumber, specially on the West Coast, have helped, but construction has helped most of all. The new system of insured mortgage lending by the banks has been a success and house-building is booming. In addition much commercial and institutional building, some of it deliberately delayed in the inflationary years, is now being undertaken.

But employment remains soft in a number of the secondary industries. The motor-car factories have choked the distribution lines in a competitive bid to sell all the cars possible; and now they are having to lay off men. The manufacturers of household appliances, with the single exception of television sets, are slack and are grumbling about import competition. The primary textile mills are the most depressed of all.

In the summer the spurt in outdoor activity keeps the unemployment total well within manageable bounds. Mr C. D. Howe, the Minister of Trade and Commerce, told an American interviewer that 200,000 unemployed out of a labour force of more than five million was getting down to the "hard core of unemployment." The summer figure is below that, but it is sure to rise again in the autumn and winter. The Government has taken the possibility of unemployment next winter seriously enough to make some limited reductions in its immigration programme. By taking some occupations off the list of acceptable immigrants, and by advancing the cut-off date by one month to the end of September, it will probably keep this year's total below the 168,000 of last year. But the reductions will still be minor; the best estimate now is that this year's admissions will come to 155,000 or more.

The Farmer and the Wheat Board

SIR NORMAN VERNON, of Allied Bakeries, Ltd., has been telling Canadians at every stop during a short Canadian tour that the price of wheat must come down. He took the opportunity to add a word of advice about the marketing of wheat. In Canada's own interest, he said, it might be a good plan to abandon the Canadian Wheat Board and return to a free market. There are Canadians who agree with him, but there could hardly be a worse time to plead the case against government marketing. Western farmers are quick to point out that on a free market Sir Norman and other grain buyers would have a much better chance of getting the price of wheat down to the level they think it should be at. As it is, Mr C. D. Howe (to whom the Wheat Board reports) has a larger say in the matter; and he gave Sir Norman no encouragement to suppose that the price would be reduced further.

The Wheat Board has fixed the initial price of wheat in the new crop year at $1.40 per bushel, on the basis of No. 1 Northern at Fort William. This is the price the farmer gets as soon as he can deliver the wheat to his local elevator. It is the same initial price as in the last two years. But if the Wheat Board realises a higher price, it distributes the remaining proceeds to the farmers later in the season. The farmers have therefore become accustomed to substantial additional payments. This year the Wheat Board will have more to distribute provided the price stays near the present level of $1.70. But if it drops to the International Wheat Agreement minimum of $1.55 the margin left will be pretty slim. Many people had expected a lower initial price this year. But it is supposed that the maintenance of the $1.40 was intended both to discourage speculation on price reductions and to represent a fair gamble on the maintenance of a price at least equal to the IWA minimum.

* * *

Talking with the Americans About the Seaway

ON August 12th three Canadian ministers met American representatives to discuss American participation in the St. Lawrence Seaway. Two days earlier the Ontario Hydro-Electric Commission and the Power Authority of New York State had ceremoniously launched the work on the power dams which will eventually give them both more than a million horsepower of electric energy. The start of the power project fulfils Canada's first condition for discussing American participation in the Seaway. The object of the negotiations is to find a basis for co-operation in carrying out the project. They seem to face two major difficulties besides a host of smaller ones. The big obstacles are the American desire for an assurance which Canada refuses to give, and Canadian desire for assurances which the Americans may be equally unable to give.

The United States would like to be assured that once the canals on the American side of the International Rapids are built, Canada will not duplicate their facilities by building a second deep canal on the Canadian side of the river. But Canada is much more likely to tell the American representatives that immediate preparations will be made for an eventual deep canal on the Canadian side. Deep dredging will be done above the power dams while it can still be done economically "in the dry" before the lands are flooded. A 27-foot lock will probably be put into the main power dam on the Canadian side, so that it will be ready to link up with an enlargement of the present 14-foot canal below the dams. The Canadian authorities feel convinced that sooner or later enough traffic will develop to support two canals, and they intend that when that time comes the second canal shall be all-Canadian.

The assurances which Canada would like from the United States relate to the conditions on which Canadian ships may have right of passage through the American canal. Equality



of treatment with American vessels is assured already. The problem is that the McCarran Act and other American legislative enactments may require interference with ships and persons in transit which Americans may be willing to impose on themselves, but Canadians are not anxious to accept from them or anybody else. In its most extreme form the Canadian request may be presented as a desire to be given Canadian treatment, rather than American treatment, on an American canal. But the grounds on which Canadians want assurances are easily understandable in the light of some of the immigration and so-called "security" processes which the United States has been enforcing.

* * *

Canada's Shakespearean Festival

FOR the second year running the little town of Stratford, Ontario, has been filled all summer with drama-lovers from all over North America. The Shakespearean Festival Foundation of Canada has been filling its 2,000-seat tent theatre since the beginning of July with *The Taming of the Shrew, Measure for Measure* and *Oedipus Rex*, none of them obvious box-office attractions even for Shakespeare lovers. How many people knew before they reached Stratford that Shakespeare was not responsible for *Oedipus Rex* has not been statistically determined.

The Stratford Festival has been most successful, perhaps largely because of its courageous unusualness, in attracting serious drama-lovers from great distances. It must also have drawn in large numbers of the curious who would never have dreamt of paying to see Shakespeare but for the acclaim given so widely to this risky venture. That both kinds of people have continued to flock to Stratford through a second season must be largely due to the brilliance of Tyrone Guthrie, who was responsible for the direction both years. He has given the *cognoscenti* productions (and, incidentally, plays) quite out of the ordinary run; and he must have been gratified at the result of his original suggestion that the stage should be built on Elizabethan lines. He has also given the unsophisticated part of his audience, who are mostly unused to living theatre of any kind, presentations sufficiently gripping to hold their loyalty against such counter-attractions as Bob Hope and Marilyn Monroe.

A letter from Brazil*

"WE were travelling up the river Jequitinhonha, in the State of Bahia, by canoe, to reach a famous *garimpo* (a camp of diamond panners), when the strap of my Rolex broke, and the watch disappeared into the flood. Search proved useless and I was obliged to continue, with a heavy heart. Two months later, I stopped for the night several miles below the point where I had lost my Rolex. That night, sitting round the fire, we began talking. Asked how things were going, an old garimpero said, 'Very badly, sir. Pedro dos Santos thought he'd found a large piece yesterday, but it was only a watch.'

"My heart stopped. I asked to see the find. Scornfully my dear Rolex was hurled at me across the fire. Pedro consented to sell it willingly, thinking that a watch that had been in the water was worth nothing, and with a broad grin at the idiocy of this foreigner he pocketed five 'milreis.' The laugh was on the other side of his face when a few minutes later I put it back on my wrist and set it going!"

This is an extract from a letter written to Rolex by a customer, Mr. Victor L. Bondi, now of Geneva. We think it speaks for itself. There are few hardships a Rolex watch cannot undergo; that delicate mechanism is so well made, so well protected by the Oyster case. This, anyway, is the true story of what happened to one Rolex Oyster.

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★ Mr. Bondi's original letter can be inspected at the offices of the Rolex Watch Company, 18 rue du Marché, Geneva, Switzerland



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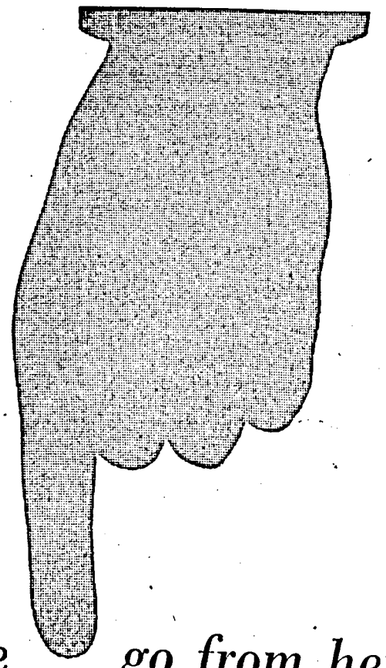


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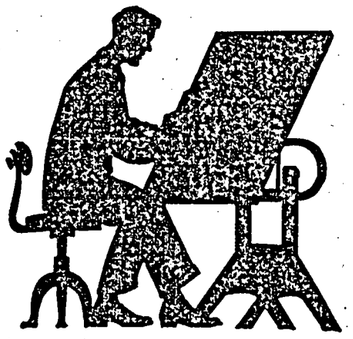
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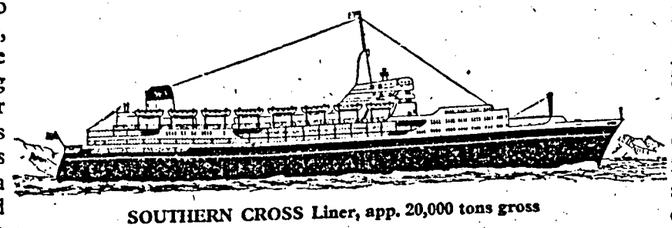
THE BUSINESS WORLD

Specialised Ships

WHEN the Queen launches the Shaw Savill liner *Southern Cross* on Tuesday, she will be sending down the slipways one of the most unusual vessels ever built by a British shipyard. A passenger liner is by definition a fairly specialised ship, designed to carry people and goods over given sea routes; but this specialisation has never been carried so far in a long-distance passenger liner as in the *Southern Cross*. This turbine steamship, of some 20,000 tons gross, unlike her predecessors, will carry no cargo of any description, apart from passengers' baggage. Her machinery will be situated aft, instead of amidships, leaving the whole of the best part of the ship entirely for use by passengers. No time will be occupied in port by loading or discharging cargo, and her speed will be sufficient to ensure four round voyages to Australia and New Zealand every year. This is undoubtedly a bold experiment, since passenger liners in this sort of trade have always relied a good deal on cargo for their revenue; but it may prove to be a useful reply to the challenge from the air on the long-distance routes, particularly if the maximum advantage of her special design can be taken by off-season cruising.

The *Southern Cross* may perhaps be taken as symbolising a significant feature of postwar shipbuilding; in contrast to the large blocks of standardised tonnage that had to be built in wartime, shipowners have been concentrating their orders for freight as well as passenger ships upon vessels of a more specialised nature. The shift of emphasis has been particularly notable in the cargo field. Such ships have been designed either for the carriage of a single type of cargo—of which the obvious example is the huge proportion of tankers on the order books—or to the requirements of a particular trade route or selection of terminal ports. Some of these tankers and specialised freighters have moreover been designed to operate between fixed terminals—bringing some of the principles of liner operation into these specialised fields of cargo. In all but a few isolated instances, the primary motive of this specialisation has been economy. With the oil companies building large fleets of tankers, the steel interests arranging for fleets of specialised ore-carriers, and even the nationalised coal and electricity industries in this country building their own coastal colliers, the question arises whether there will be much room left for the ordinary general-purpose tramp ship, whose mainstay is the carriage of bulk cargoes.

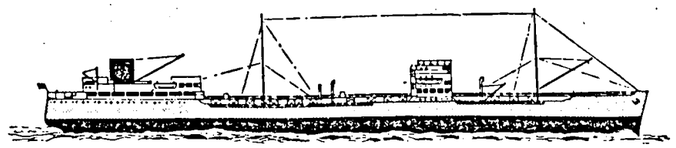
The tramp ship is essentially the unspecialised ship, deliberately designed to enable it to engage in as many remunerative trades as possible, to carry as wide a range of cargoes as possible between as wide a range of ports as possible. Tankers, which now form such a large proportion of the world merchant fleet, form the outstanding contrast to this—ships specially designed for the carriage of liquid cargo, mainly crude oil and petroleum products. The nature of this cargo requires an entirely different form of hull construction from the dry-cargo vessel



SOUTHERN CROSS Liner, app. 20,000 tons gross

and entirely different provisions for cargo-handling. So much is plain; and tankers have become so common as to be scarcely regarded as specialised ships any more. But there are degrees of specialisation; and the specialised ships themselves are breeding even more specialised types. Tankers are being built today expressly designed for the purpose of carrying specific products, such as lubricating oil, bitumen or asphalt, liquid gas and even wine. These cargoes require special equipment for their handling, and the tankers are specialised to this extent; except in the case of liquid gas tankers, they can, however,

TANKER, 31,000 tons d.w.



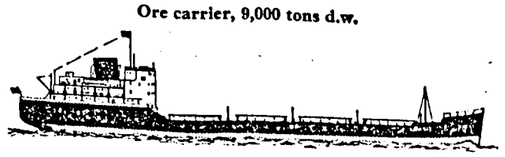
usually also be used for normal purposes. Liquid gas carriers, however, are specialised to the ultimate degree, since their tanks are pressure vessels; but they are proving more economical than land transport for moving liquid gas from Northern Europe to Italy, for example.

The movement of oil, like that of wine and water, is nearly always a one-way traffic—from source to consumer. Tankers, therefore, usually spend half their time in ballast, merely carrying quantities of sea water across the ocean, which is an uneconomical operation except so far as it improves stability and ensures a more efficient use of fuel. Theoretically, there is scope here for the naval architect who can design a ship which can carry a full cargo of oil homewards and an economic payload of other goods outwards; but in practice the oil exporting centres do not normally import vast quantities of bulk goods. An exception to the rule is Sweden, which can export large quantities of iron ore to regions adjacent to its sources of oil imports. To take advantage of this situation, the Swedes have devised combined oil and ore carriers, large vessels that can carry oil imports and ore exports. This combination is fortunate in two ways, not only because the trade exists, but also because the characteristics and handling requirements of oil and ore are compatible. Little or no cargo handling gear need be carried for ore, which is loaded and discharged by shore appliances; and as far as deadweight capacity is concerned, a little bit of ore goes a long way.

To make the maximum economic use of a ship it is necessary that the time spent in port loading and discharging cargo should be cut to the least possible. In this respect oil tankers have a great advantage; their cargoes can be readily discharged by means of their own powerful pumping installation with the minimum of shore handling gear, and modern tankers can discharge their cargoes at rates up to 3,000 tons an hour. With heavy and bulky cargoes such as iron ore and coal, rapid discharge can be achieved only with the aid of costly shore appliances. Quicker turnround, however, can be achieved if the specialised freighters, for example, are designed to suit the shore plant, with wide hatches, unobstructed decks and self-trimming holds. Since the war the great increase in ore imports has multiplied the number of specialised ore carriers, which have been designed to obtain the maximum utilisation from the facilities available at both loading and discharging ports.

The tendency to build specialised ships for the carriage of specific commodities has been accompanied by a tendency to build larger units at the same time. A few tankers of over 45,000 tons deadweight are already in service, with several others under construction; but even this hitherto unprecedented carrying capacity has been exceeded by the *Ore Chief*, a vessel of some 66,000 tons dw capacity recently built in Japan for an American company. Details of this ship are a closely guarded secret, but it is apparent that her range of ports must be extremely limited. Most of the ore carriers being built for British owners are much smaller vessels, of less than 10,000 tons dw, their size being restricted by terminal port limitations. There are a few ore carriers of up to 32,000 tons dw under construction in this country for American owners, however, and the completion of these large vessels will relieve the aluminium and steel companies concerned from the necessity of having to charter several general-purpose tramp ships.

Ore carrier, 9,000 tons d.w.



In view of the increasing tendency to build specialised ships for bulk cargoes—and cement and sugar in bulk are now being added to the list—coupled with the trend towards larger units, the future for the general-purpose dry-cargo tramp may appear rather dim at first sight. But there are compensating factors to be considered. In the first place the specialised ship is inflexible. Being designed to handle a particular cargo with the maximum efficiency, or to obtain maximum utilisation between limited terminal ports, it sacrifices most of its flexibility in operation. If the trade falls away the ship becomes surplus to requirements and will not find it easy to obtain economical employment, either with another kind of cargo or between different ports. In any event the very large ship is limited in its field of operation to a restricted range of ports, not only for trading but even for maintenance and repair purposes.

The highly specialised inflexible ship, therefore, depends on assured employment, and it would be unwise

for any major shipper, such as an oil or steel company, to build many more of them than would be necessary to cover its minimum expected requirements. There is a true economic advantage in having specialised ships designed either for the commodity or for the trade, provided maximum utilisation is assured. For marginal requirements, however, the major shipper must always rely on chartered ships.

This does not mean that the general-purpose tramp ship will not develop in design. What it does mean is that tramp owners will always have the opportunity of supplying marginal demands, even in trades for which specialised ships exist; and the tendency now, indeed, is for some tramp owners to provide highly specialised ships, such as tankers and ore carriers, particularly with a view to long-term employment on a charter basis. Apart from these two types, the general-purpose tramp itself is becoming more flexible, in the sense that it is being equipped with a reserve of speed, with heavy-lift derricks, and with more flexible cargo-carrying arrangements wherever possible, to increase the chances of employment in a wider variety of trades. At the same time a strict watch must be kept on economy in operation, for there is always fierce international competition in normal times for marginal employment. Despite the increase in specialised ships, a continued expansion in the volume of international seaborne trade should ensure the tramp ship a working chance of prosperity.

Business Notes

Eternity 3½'s

THREE stars have shone brightly in the market firmament this week: "eternity three and a halves" (as the market now calls the longest dated of all the redeemable gilt-edged stocks—the Funding 3½ per cent stock 1999-2004) gold shares, and Anglo-Iranian. The rise in Funding 3½ per cent marks the continuation—could it be the climax?—of the move by investors into longer-dated stocks. They have done so with growing confidence as day after day and week after week the market has risen, as the funds available for investment appeared inexhaustible and as Government policy in replacing each short-dated maturity with a somewhat longer date gave them a general signal to pluck up courage.

It happens that the Government broker now seems to have nothing left for sale to the market among the long dated issues save that Funding 3½ per cent stock and for the very reason that it is "on tap" it has been a little cheaper than its near rivals and has been bought. The climax came last Friday when the Government broker raised his price by 1/8 three times in a single day and this week, though the gilt-edged market as a whole has been merely marking time, that stock has advanced further. At 97⅞ it has gained 5/8 in a week. It is a fair assumption that it has risen not because the authorities were forcing the pace but because substantial blocks of stock have been absorbed.

No sign of a weakening in the general bullishness of markets or of the abounding confidence of investors is yet visible notwithstanding the modest easing of the gilt-edged market early this week. Nor has the industrial section yet weakened. The account drew to its close with a record volume of business. Monday's total of bargains marked—16,702—was the highest for any August day since bargains were first counted in 1942. It was roughly double the number running in August of last year. *The Financial Times* industrial index has been breaking new records too. At 164.4 on Wednesday it touched a new peak and gained 1.9 on the week. With the start of dealings for the new account on Wednesday markets began with another wave of strength. All the old speculative favourites were being bought. Great Universal Stores among others touched a new record.

Mere Mortals Wonder

YET there have also been signs that should make the cautious investor pause. As is natural in all times of good markets companies wishing to raise money and the issuing houses and brokers who advise them are pressing forward with their plans. They are coming in unusual numbers, for August is not normally an active month for issues. The strength of the market permits it and few City experts trust the market beyond the end of the year. Among the issue plans now going forward are one of £3½ million 5 per cent convertible debenture stock 1960-69 at 100½ also redeemable at £100½ in East African Power Corporation, carrying the option to convert into ordinary shares between 1955 and 1959 at prices ranging from 23s. 8d. to 26s. 1d.; an issue of £2 million 5 per cent debenture stock 1964-79 at par in Bentley Engineering; and the £2 million Ind Coope 4 per cent Debenture 1964/84 at £98.

The steadier type of investor may also reach the conclusion that there is now a ragged and unthinking side to the wave of buying that is going on. The brisk rally of the gold share market, though still concentrated on the develop-

ing mines of the Orange Free State and the far West Rand, may also be a warning of a change to come. Investors do not rush into gold shares when the industrial outlook is improving. Some of the present buying is believed to be good and some of the reasons for it may be well founded, but it is probably also true that shrewd operators are cashing their profits on industrials and taking up a position in "Kaffirs" against the time when the market goes into reverse gear.

GILT-EDGED AND EQUITY PRICES

	April 6, 1954	May 12, 1954	July 15, 1954	Aug. 4, 1954	Aug. 11, 1954
Gilt-edged :					
Conversion 2% 1958/59	...	...	100 ½	100 ⅜ •	100 ⅜
Sav. Bds. 3% 1955/65..	96 ⅞	98 ¼	99 ⅛ •	99 ⅛ •	99 ⅛ •
Sav. Bds. 3% 1965/75..	89 ¾	91 ¼	93 ⅛ •	95 ⅛ •	95 ⅛ •
Funding 3½% 1999/2004	...	...	97 ⅛	97 ⅛	97 ⅛
Gas 3% 1990/95.....	85 ⅝ •	87 ⅞ •	90 ⅛	91 ⅛	91 ⅛
Consols 2½%.....	64 ¾	67 ¼	68 ⅛	69 ⅛	69 ⅛
War Loan 3½%	87 ⅜	87 ¼ •	90 ⅜	91 ⅜	91 ⅜
Industrials :					
Anglo-Iranian £1.....	11 ½	11 ⅜	12 ⅛	13	15 ⅞
Assoc. Elect. £1.....	45/6	48/6	57/6	60/–	60/–
British Motor 5/-.....	7/7½	8/1½	10/1½	10/7½	12/3
Courtaulds £1.....	27/6	29/3	33/6	32/6	31/–
Distillers 4/-.....	19/6	20/6	23/–	22/6	22/6
Hawker Siddeley £1 ...	59/6	61/–	81,9	44/–*a*	42/9
Turner & Newall £1....	76/6	83/–	84/–	85/6	87/–
Unilever £1.....	66/6	72/– •	82/–	79/6	80/–
Vickers £1.....	55/7½	57/6	34/6*a*	35/–	35/6
Woolworth 5/-.....	74/3	79/9	75/9 •	75/6	75/6
Gold :					
Writs 10/-.....	36/3	34/6	35/7½	36/3	40/–
F.S. Geduld 5/-.....	90/–	88/1½	81/3	97/6	107/6
Western Holdings 5/-..	88/1½	75/–	86/3	91/6	98/1½
Western Reefs 5/-.....	56/6	50/–	46/–	47/3	50/7½
F.n. Times Indices :—					
Fixed Interest.....	112·69	114·05	116·17	116·49	116·68
Ordinary Share	142·60	147·40	160·80	162·50	164·40
Gold Developing.....	108·72	106·56	106·15	114·15	124·74

• Ex dividend. (*a*) After 100 per cent capital bonus.

Values for Anglo-Iranian

ANGLO-IRANIAN have this week changed hands at more than £16—they reacted a little to £15⅞ on Thursday—and Burmah and Shell have been sharing in the excitement, rising during the week from 80s. to 97s. 6d. and from 96s. 10½d. to 103s. 9d. respectively. The market's measure of the draft agreement between the consortium and Iran has undoubtedly been favourable, and it has been concentrating, quite logically, on Anglo-Iranian's expectations of earnings under the scheme—looking inevitably, but it hopes not indefensibly, far ahead.

The jumping off point is the estimate of revenue that the agreement should provide for Iran—£31 million in the first full year rising to £67 million for the third. These sums consist of payments to the National Iranian Oil Company for crude oil, together with Iranian taxes; the latter will rank for double-taxation relief. It is likely that satisfactory arrangements have been made with the Iranian authorities about the allowances for depreciation on the installations in Iran. Given the 50:50 principle that governs the agreement, and the fact that Anglo-Iranian will have a two-fifths share in the consortium, the inference that the market draws is that £25 million may accrue to Anglo-Iranian from the consortium in the third year, with the prospect of additional profits from marketing.

How this sum would be further modified by British income tax is far from clear; it would not be "net" in the hands of Anglo-Iranian, presumably, unless the corresponding Iranian tax (which cannot be identified within the joint sum of £67 million) reached the equivalent of the British standard rate. This makes the expected £25 million rather difficult to relate directly to the £20 million of ordinary stock, or to last year's net earnings of £22½ million. But evidently if all goes well, there will be a large addition to effective earnings.

A doubling of earnings with more than a doubling of the dividend may eventually justify the present level of Anglo-Iranian, with their exiguous yield of 2½ per cent. The fulfilment of these conditions lies some years ahead. And capital factors are evidently still exerting considerable influence on the price—the £25 million of compensation in ten instalments and the still undisclosed arrangements whereby the other members buy into the consortium, with the glittering hopes of over £200 million to be paid over the years. And there are some who still think that the £50 million set aside to special contingencies in 1950 is somehow freely distributable, though it has in fact been absorbed in the business. These are tempting incalculables. Perhaps the market has been wise to loosen rein a little this week, for the next move in explanation clearly lies with the company.

Five Dozen Viscounts

THE sudden decision of Capital Airlines to take up the option that it held on 37 Viscount airliners more than six months earlier than expected, and at the same time to take out an option on a further 20, will oblige the manufacturers, Vickers-Armstrongs, to reconsider their carefully-laid production plans. Orders of this size are not unusual in the United States, but they are unheard of in Britain. Although Vickers has signed orders for 143 aircraft, and if current negotiations are taken into account the total would be nearer 200, its biggest customer to date has been British European Airways with 38, ordered over the course of several years, followed by Trans-Canadian Airlines with 15 and Air France with 12. A single order for 60 aircraft worth $67 million—for there is little doubt that Capital will take up its new option—could tie up Vickers' production capacity for a matter of years, a consideration that Capital has no doubt borne in mind.

This year, the factory at Hurn will turn out 25 Viscounts. It has a capacity for 100 a year, two a week, which is as high a rate of output for a civil airliner as any company here or in America has contemplated. Vickers had planned to build up gradually to this rate of production as the order book required, offering delivery to all comers in a period of 18 months to 2 years. By stepping up production now as rapidly as possible, Vickers expect to deliver all the first 40 aircraft to Capital by mid-1956, when production should reach 90 aircraft during the year and be running to full capacity before its end. To give as good delivery to other airlines that sign orders in the future, the company may have to put down new Viscount lines elsewhere. This is a serious decision to take, for tooling costs several millions of pounds, and while the Viscount still has no competitor in sight the appearance on the market of, say, an American airliner re-fitted with British turbo-prop engines, might make an appreciable dent in sales.

One of the most interesting aspects of the sale has been the parallel negotiations that have gone on between the British Air Registration Board and the American Civil Aeronautics Administration about the acceptance in America of the Viscount's British Certificate of Airworthiness. American teams have twice come over to examine the aircraft and the ARB's documents on its airworthiness trials. There are important differences in the practices of the two licensing authorities; the British ARB bears the heavy responsibility of being the first to grant airworthiness certificates for gas turbine airliners, the Americans are naturally apprehensive about a power plant of which they have no experience. It has been necessary to demonstrate, step by step, by such drastic measures as special fire trials with Viscount engines, that the ARB requirements are reasonable. Some points still remain to be settled, but there is a good chance that final agreement will be reached within a week. The CAA has been subject to considerable pressure from American interests that are against the sale of British aircraft in the United States, but, as Capital has discovered, there is an unexpected amount of goodwill in other quarters.

Importing Coal

BETWEEN this time last year and the beginning of the coal winter, the coal industry managed to increase distributed stocks of coal by about 3 million tons, nearly a million of the increase being a mere transfer of coal from opencast stocks into consumers' bunkers and cellars. This autumn the industry needs to do more, having so far done less. The aim always mentioned in speeches is a level of 20 million tons in consumers' stocks by the end of October. Last year, in fact, these stocks reached 18¾ million tons, which it was agreed to consider satisfactory, and they did, in fact, prove adequate. This year, coal consumption in Britain is running about 3¼ per cent higher than last year; on the other hand, statistics of coal distribution have been revised to leave out about 12 per cent of industrial consumption. The industry's own undistributed stocks at collieries and opencast sites are 1,700,000 tons less than at this time last year, and can hardly afford much assistance. Weather was good at the beginning of last winter, and this year it has so far been worse than in 1953. Many such considerations affect estimates of a "safe" level of coal stocks for this winter; from outside, it may be guessed that to begin the winter with less than 19½ million tons in stock would be cutting it fine.

It is clear that the British coal industry cannot produce enough to increase these stocks by over four million tons by the end of October; with consumption sharply up, it will do well to be able to put as much into stock this autumn as it did last year. "Safety" in stocks, therefore, might mean the import of nearly two million tons of coal to augment distributed stocks for the winter, unless exports are to be restricted; which implies that imports will have to rise well above the level of some 80,000 tons a week at the end of July. This, of course, is far more than a matter of balancing supplies of large coals; fortunately, the surplus of coal on the Continent and in the United States may keep it a slightly less costly process for the National Coal Board than in recent years. In June the landed value of imported coals was about £6 5s. a ton, according to the Trade and Navigation Accounts in 1952 it was costing more than £8 a ton. The combination of low prices and low freight rates has continued to make American coal competitive with that from the Continent (mainly Belgium), though fixtures for September-October delivery from the United States have recently been made at rather higher rates and any considerable increases in the import programme could push freights up further.

Walsall Comes to Market

THE first local authority to borrow by public issue since the Public Works Loans Board brought its charge for long-term money down to 3¾ per cent, is another socialist borough—Walsall. Walsall came to market this week with an issue of £2 million 3½ per cent stock 1973/6 at £99. From the market point of view it was a bagatelle even though it is the biggest loan that this small borough (population 114,900) has in the market. The price and the yield of £3 11s. 4d. per cent gross to redemption at the latest date were quite keen, but because it was small it went comfortably. Lists closed in five minutes on Wednesday morning and dealing started on Thursday at a small premium applicants for up to £1,000 receiving full allotment and larger applicants about 40 per cent of their requirements.

But from the point of view of the borough the choice between borrowing through the market and borrowing from the Public Works Loans Board must have been difficult. Had the borough gone to the Treasury it would have had to pay 3¾ per cent plus an application fee of 4s. per £100. What it has had to pay through the market is unfortunately not certain for prospectuses of the trustee class do not give as much information about expenses of issue as do industrial prospectuses. Underwriting is believed to have been one per cent, the invariable rate for trustee issues involving new money. The rest—the allotment commission printing and advertising, broker's fee, and bank fee can only be surmised. It would be in line with general experience if the net sum to be received by the borough was the equivalent of £97¼ per cent, implying an average cost to the borrower of £3 13s. 8d. per cent if the loan is redeemed on the latest date. To that must be added the sum of 2s. per annum to compound stamp duties in the future making the total cost to the borough of £3 15s. 8d. per cent per annum plus the initial stamp duty charge of 5s. per cent.

It does not seem likely that the local authority has gained anything in terms of total cost of the debt service by its decision to use the market. What it has gained is greater latitude in use of the money. Repayments will not be tied to particular projects, nor the length of the borrowing to that of particular works sanctions. The borough is obliged

to make annual provision for the repayment of its debt as a whole but it is not obliged to make any redemption of this loan before the due date. That is an important advantage which the market still holds in meeting local authority needs with minimum immediate burden on the rates. It may happen that the rigidities of borrowing from the Public Works Loans Board will be lessened within the next few weeks as a result of the discussions now about to begin between the Government and the local authorities. These discussions follow upon the Government's undertaking of June 4th to discuss with the local authorities the types of project for which a loan might be raised for a shorter period than that of the relevant departmental sanctions. But it will be surprising if market borrowing loses all its advantages.

IMF and Convertibility

THERE is more than a hint of impending triumph and justification in the International Monetary Fund's latest annual report on exchange restrictions. The year 1952 marked the end of the transitional period during which members of the IMF were allowed to stray freely from the strict code of convertible conduct; since then those countries that still retained restrictions on payments for current international transactions have been required to consult with the Fund as to their further retention. The latest report, covering the second year of consultation, records that during this period "a considerable number of major trading countries regarded as possible both relaxation of restrictions and progress towards convertibility" and is prepared to predict that "during the third series of consultations further progress in this direction may be expected." As to the relaxations of restrictions during the past year, the Report makes the point that during the period world economic conditions were generally auspicious, that prices of internationally traded commodities fluctuated less than at any time since the end of World War II, that the gold and dollar reserves of non-dollar countries increased in the aggregate by about $2,500 million. Thanks to this altered climate of opinion and circumstance certain basic restrictions that had been maintained since the war were relaxed. The United Kingdom gains special commendation for the simplification of the regulations involved in the wide extension of the sterling transferable account system.

The prospect for further removal of restrictions, the report points out, is necessarily influenced by the views formulated by the several countries about economic conditions in the United States. But there is encouragement in the fact that the non-dollar world has so far reacted little to the reduction in US production and income. And there is an unashamedly cheerful conclusion that "the conditions for convertibility and expansion of multilateral trade have been more progressively and actively prepared during the past year than at any time since the Fund was established." Perhaps the most useful section of the report is its description, country by country, of the origins, essential features and administration of exchange control, with a detailed account of recent changes.

Hire Purchase Jump

THE figures of hire purchase transactions, sketchy though they are, do give further evidence that the volume of this business was already straining at the leash when the Board of Trade regulations were withdrawn. It was only in the middle of July that the regulations ended. Yet the figures for that month from HP Information disclose a sharp advance. These figures give a useful guide to a comparatively small sector of the field of hire purchase business; they cover motors, motor-cycles and certain types of machinery, but they exclude furniture, pedal-cycles and radio and television sales. The

NUMBER OF HP CONTRACTS

		July, 1953	June, 1954	July, 1954
Cars	New	2,428	3,973	4,536
	Used	17,387	22,911	25,728
Commercial Vehicles	New	1,191	1,834	2,032
	Used	2,526	2,696	3,183
Motor-Cycles and Side-cars	New	4,223	4,674	5,188
	Used	11,901	12,175	13,550
Tractors	New	395	414	442
	Used	414	312	326
Farm Equipment	New	619	553	568
	Used	nil	157	193
Aircraft and Engines	New	nil	nil	nil
	Used	2	nil	2
Caravans	New	832	920	839
	Used	202	419	643
Industrial Machinery	New	450	400	421
	Used	123	132	79

July figure shows a peak number of 55,857 contracts entered into during the month compared with the previous record of 51,808 in May. The figures summarised in the accompanying table point to remarkable rises in the hire purchase of motor vehicles, both new and second-hand, and a rising tendency in most of the other sectors covered. The significant exception is industrial machinery—in which a growth of hire purchase trading would surely have been generally welcome.

The Gnat Flies

THE first flight this week of an uncommonly small fighter, the Folland Gnat, opens a fresh phase in the controversy that has surrounded this aircraft since its early design days. It is a high-speed fighter that should, when its scheduled engine is delivered next year, be able to reach supersonic speeds in level flight. Because it is smaller, lighter, and structurally simpler than the massive standard jet fighter there is reason to believe that it could be built in a simple workshop, in one-fifth the time, and at a cost of £25,000 as compared to £70,000 for a machine like the Swift or Hunter. It is, therefore, peculiarly suitable for any role that demands aircraft in quantity—and ground attack duties is, from the British side, the most pressing of these.

In Western Europe, a light fighter of this kind is looked on as an economic necessity for any form of air defence. The other Nato members cannot afford, as Britain can, to equip with an adequate number of aircraft of the Swift and Hunter type, not to mention the even more costly supersonic fighters, such as the English Electric P.1 that flew last week. The Air Ministry has turned down the Gnat on the grounds that it has already ordered as many of the more elaborate fighters as its budget will stand even though the RAF is noticeably weak in ground attack. Nato headquarters, on the other hand have shown some anxiety to see an aircraft of this type developed. So while the aircraft continues to be built as a private venture—and this also applies to the engine being designed for it by the Bristol Aeroplane Company—there have been discussions about the provision of the direct financial support witheld by the British Ministry of Supply from a dollar fund voted by Congress to finance the development of special weapons in Europe. Since Folland plans to build and flight test at least six aircraft from its own funds, Nato headquarters are not now likely to feel under the same obligation to reach a quick decision that they would have been if there was any danger that the project might be dropped for want of official financial support.

Money for Houses

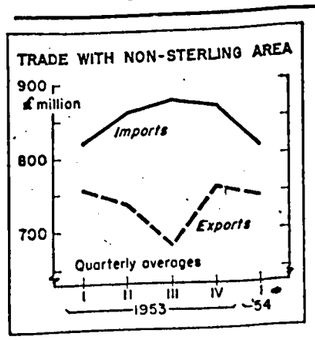
INTERIM statements now coming through from a few of the big building societies show that the societies did a roaring business in the first half of this year. With interest rates falling and making 2½ per cent net a more and more attractive proposition to investors, they could hardly have failed to draw the money in. With houses rattling up and the Minister pressing for freer loans and smaller down payments from houseowners, they could hardly have failed to lend it out again.

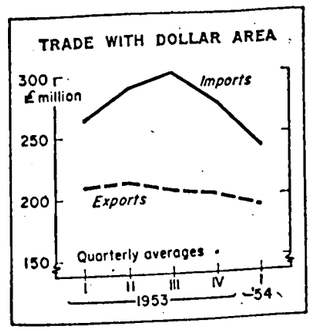
One of the current announcements comes from the Woolwich Equitable Society. On Tuesday it announced that its total assets "now exceed £100 million." That is certainly a sharp advance from the figure of £86 million in the September 30th balance sheet and even from the interim figure of £89.2 million on December 31st. The society deserves congratulations. The Woolwich announcement claims that it is "the third British building society to record this achievement." The Halifax and the Abbey National passed the £100 million mark years ago, but the Woolwich has just beaten the Co-operative Permanent whose total assets were £95.7 million at the end of June, £97.8 million at the end of July and may reach £100 million next month.

The Halifax half-yearly statement at July 31st shows that in the half-year the society's total assets grew by £11.6 million to £225.9 million. Soon there may be competition in the £200 million class, too. No doubt the Halifax society like to know how far outside that class the Abbey National now is, if indeed it still is outside. Assets last December were over £181 million and rising fast. During the six months the Halifax advanced on mortgage £22.4 million compared with £16.6 million in the first half of the previous year. It drew in from investors £26.2 million compared with £22.4 million in the first half of the previous year.

BEA's Renfrew Thistle

THE future of the aircraft maintenance base at Renfrew presents British European Airways with a prickly problem whose barbs are growing sharper with time. In its early days shortly after the war, the corporation serviced

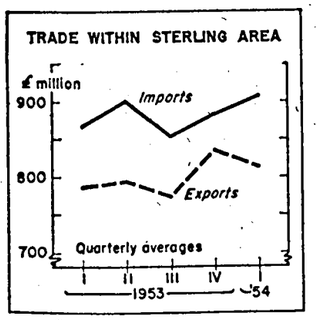


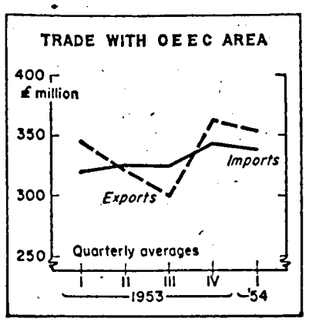


Sterling Area Trade

The Board of Trade has almost succeeded in reducing the story of how the sterling area survived the American recession to the dimensions of a strip cartoon. Its latest summary of sterling area trade traces the switch from dollar to non-dollar countries and the growth of trade within the sterling area itself. The fall in the sterling area's exports to the dollar area was less sharp than the fall in its imports from that area. The fall in exports to dollar countries was more than offset by increased exports to the OEEC area, thanks to rising industrial activity in Western Europe. Imports from the OEEC area rose too, but less sharply than exports. There was little change in trade with other non-sterling countries.

The net result was that by the first quarter of 1954, the sterling area's visible trade deficit with the non-sterling world was no larger than in the same period of last year. It was not, however, roses, roses all the way. The value of world exports in the first quarter was 7 per cent higher than in the first quarter of 1953, but exports from the sterling area were only slightly higher. Britain's exports kept pace with the world trend, but exports from the overseas sterling area lost ground, being more affected than other areas by the fall in some commodity prices.





the aircraft used on its domestic routes at Renfrew and those operating to the continent at Croydon, and subsequently at Northolt. The weakness of this arrangement became apparent when the corporation started to use the same type of aircraft on both services. By this time, the base at Renfrew was well established, and even when BEA was able to move into palatial new maintenance hangars at London Airport that could easily accommodate its entire fleet, local union pressure in Scotland prevented the Renfrew-based aircraft from being moved south. Today, therefore, the new Viscounts and Ambassadors are serviced in London, and the older Vikings and Dakotas in Scotland.

Renfrew employs about 800 engineers, and in October, when the Vikings are withdrawn from service, the work available for them is likely to be reduced by half. The only aircraft still based at Renfrew after that will be 46 Dakotas whose numbers are dwindling as age takes its toll. The local unions are aware that the logical course for BEA would be to close down the base and move the Dakotas to London. The cost to BEA of keeping Renfrew in existence after October will be an additional £15,000 a year, a sum that it can ill afford; and the corporation has already offered to move down to London as many engineers and their families as choose to go, with, presumably, some assurance of a place to live in when they arrive.

There is not much doubt that the closing of Renfrew would create hardship, and local opposition has been building up to such a point that the corporation recently issued a statement making it plain no final decision to close the base had been taken. But it also made it clear that BEA was not going to move any new aircraft to Renfrew and that the retirement of the Dakotas would simply mean that it shut down later rather than sooner. The Renfrew dispute, in the unions' view, has now become a matter for the Minister; and the corporation itself has asked for a Ministerial ruling on whether "wider national issues should prevail over what would otherwise be a normal commercial decision." If union opposition successfully prevents BEA from closing the base, the corporation will have fresh reason to complain that its steadily recurring deficit is the direct outcome of instructions to undertake uneconomic ventures—most of them in the interests of Scotland—and some justification for asking for a special grant to cover these expenses.

Cable Depreciation Policy

CABLE AND WIRELESS—the nationalised communications company—has increased its dividend. The Government takes out 4 per cent for the year ended March 31st, thus restoring the rate to the level at which it stood before the cut to 3 per cent in 1952. Ample profits are there to justify the increase, the consolidated net profit having risen by £286,632 to £2,064,438, and the dividend cost is modest —only £660,000. What is significant in the field of nationalised industry is the progressive attitude which Cable and Wireless pursues on the matter of depreciation.

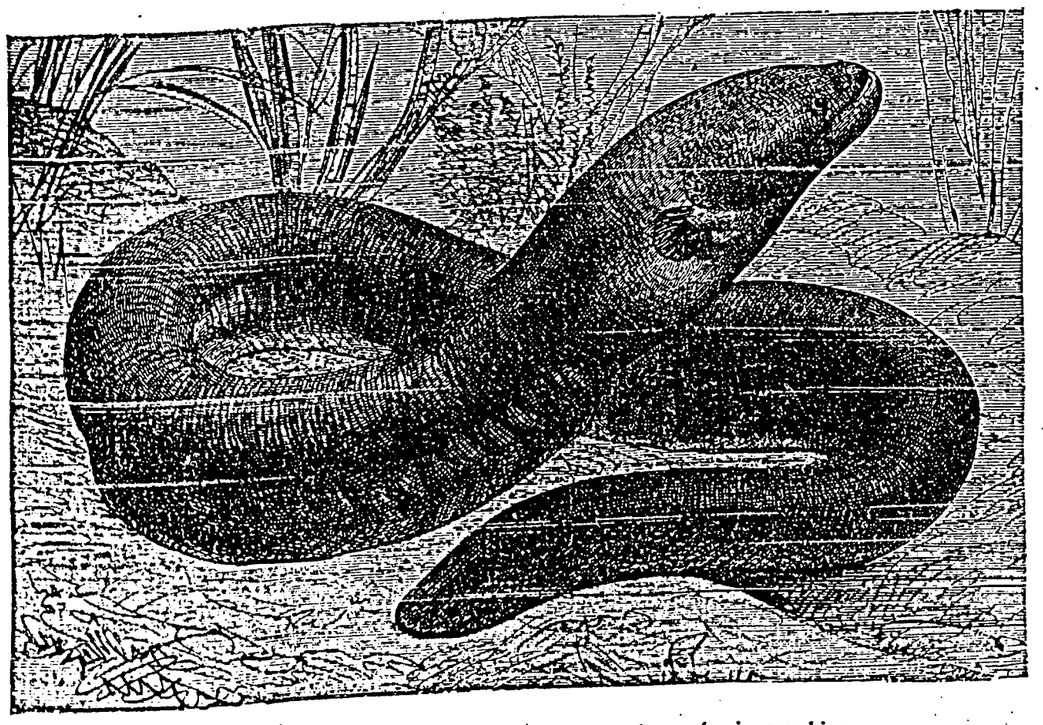
Unlike other nationalised concerns this company already makes provision for the increased cost of renewals in addition to normal depreciation. The sums allocated to this purpose are once again increased. Renewals in excess of normal depreciation this year cost £334,942 compared with £209,603 and are charged before arriving at the net profit. They are based on current replacement costs plus a provision for deficiency in total reserve. The report contains a hint that the company intends to go further along the progressive road. In the long run the reserves will go a comparatively small way towards financing renewals at the current costs of cable. Future revenue will have to finance the increased cost to a greater extent than hitherto. Is this a forerunner of a change of heart among the nationalised industries? If Cable and Wireless can provide true replacement instead of conventional depreciation, why not the Post Office itself?

British Banking Overseas

A PARTNERSHIP arrangement between two of the "Big Five" banks that has endured for nearly forty years is to come to an end in a few months time. On January 1st the National Provincial Bank will withdraw from Lloyds and National Provincial Foreign Bank Ltd., which it has owned jointly with Lloyds since 1917, and its half share in the capital of £1,200,000 will be acquired by Lloyds. The Foreign Bank will thereafter be operated by Lloyds as a wholly-owned subsidiary, and it is officially stated that its policy will remain unchanged. No reason has been given for this agreement to part—beyond the tantalisingly vague statement that both banks felt that there are advantages to be derived from sole ownership—but the decision of the National Provincial Bank to utilise the services of the Foreign Bank in the capacity of overseas correspondent is evidence that the parting will be a friendly one. Since the Foreign Bank is a private company, no details of its profits are published, but it is understood that it has been enjoying profitable working. It has ten branches, in France, Belgium, Switzerland and Monaco.

As this geographical range indicates, the change relates to only a modest part of the overseas business of the banks concerned; outside the centres in which the Foreign Bank operates, this business has naturally always been conducted through the correspondent system that provides the channels for the bulk of the external transactions of the clearing banks and their customers. It is, however, an interesting change, because there have always been two schools of thought about the merits of direct representation overseas. For many years, the agency system was the only system employed by the English deposit banks, and the Foreign Bank was in fact the first experiment in direct representation. It grew from the acquisition by Lloyds Bank, in 1911, of the Paris business of Armstrong and Company. Soon afterwards the Westminster Bank also ventured into Paris, the National Provincial later joined Lloyds, and Barclays set up its own organisation in the early twenties (and later went much further afield through its Dominion, Colonial and Overseas subsidiary). The Midland Bank then became the one major exponent of the other school of thought. It has always contended that, since the agency system must handle a big part of the business in any case, it is unwise to establish offices abroad that would compete with the correspondent banks in certain centres and might therefore lead them to give less than whole-hearted co-operation in agency work

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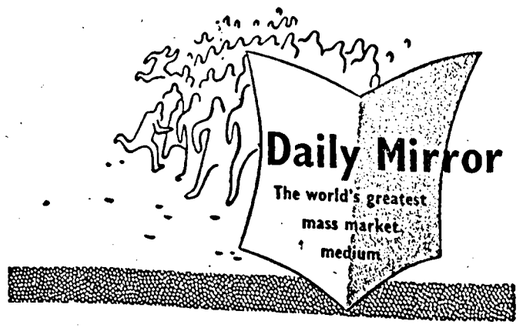


There's room for you in this picture

She's proud of that husband of hers. He's come a long way fast and the indications are that he's going much further. Already they've bought many of the things that were little more than dreams when they married eight short years ago and they've wonderful plans for the future, too. Are they planning to buy *your* products? There's room for you in the picture, you know.

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in other centres. The argument is plausible; but, on the other hand, there is no reason to suppose that direct representation has not served the other clearing banks well. Agency arrangements, after all, are reciprocal.

No Relief for Tea Prices

No relief from the present high level of tea prices can be expected for some time. Bad weather in North India for the second successive year has put paid to that: indeed, prices may well rise further. At the end of July this season's crop in North India, the largest producing area, totalled 190 million lb, no better than at the same time last year and 20 million lb less than at the end of July, 1952. Tea blenders in Britain were hoping for a real improvement last month. July and August are normally the two bumper months, by which time half the North Indian crop should be harvested. Even if the weather now improves, the total crop can hardly be appreciably larger than last year's.

Higher output in Ceylon, where the crop is already 20 million lb ahead of last season, appears to be fully absorbed by the steady growth in world consumption, and stocks in Britain and some other countries are lower than usual at this time of the year. The average price of clean common tea at the London auctions this week rose slightly to 4s. 7½d. a lb. Low grown and medium Ceylon teas were 1d. to 1½d. a lb dearer, and certain high grown teas 2d. to 3d. a lb dearer. The rise was partly due to better quality, but also to the news from India, which also strengthened the Colombo market. A further rise of about 4d. a lb in retail prices in Britain now seems unavoidable.

Mixing the Beers

THE postwar path of the brewing industry has been strewn with empty beer bottles—not with empty barrels. To tread this path with success the brewers have had to ensure that some of these bottles bore their labels and were, if possible, sold in an area wider than that served by their own chain of public houses. Since the draught beer trade has proved impossible to expand, amalgamations to effect economies in production and sometimes to reduce competition, together with mutual agreements between brewers to sell each other's bottled beers, have become the order of the day. That has been the brewers' answer to the change in social habits, to the television set, to heavy taxation and to the rise in both working and capital costs.

The wetness of the summer, bringing with it poor consumption figures, seems to have given a stimulus to these moves in self-defence. Barclay Perkins and Courage, two of the London breweries, have just announced that they are discussing reciprocal arrangements to sell certain of their products in each other's public houses—arrangements which might cover mineral waters as well as bottled beers. Whitbread recently came to a similar agreement with Truman Hanbury Buxton and flanked it with a small interlocking holding of each other's shares. Sometimes amalgamations have taken the place of agreements. Joshua Tetley, the Yorkshire brewers, have taken over Duncan Gilmour and in the south Brickwood has taken over the Portsmouth and Brighton United Breweries. This merger has made costly schemes to extend the United brewery unnecessary and plans for integrating production are under consideration. In an allied trade, Seager Evans, the distillers, is exchanging information with J. and W. Nicholson, distillers and wine and spirit merchants, with a view to "possible association in the future."

All these moves point to keen competition; there can be little doubt that the market in bottled beers is becoming more crowded with sellers. Simultaneously there is another move on foot, designed to lure drinkers back to the public house by the promise of hygienic and comfortable—almost luxurious—surroundings. That was one of the solutions propounded by Mr W. H. Whitbread at the annual general meeting of Whitbread. It received practical confirmation when Ind Coope and Allsopp, the owners of the largest chain of public houses in this country, announced a £2 million debenture issue. The issue, the first new money that the company has raised since the war in the capital market, is being sponsored by Baring Brothers and will be spent on a modernisation and reconstruction programme. The directors believe that the greater part of the capital projects can be financed out of the company's own internal resources, but they seem anxious to take advantage of the easing of building restrictions to step up the pace.

SHORTER NOTES

The directors of British-American Tobacco have announced a second tax free interim dividend of 5d. on each 10s. ordinary stock unit, or 4⅛ per cent. This compares with the second interim of 4d. per unit, or 3⅓ per cent, in 1952-53 and follows the first interim dividend for the current year of 4⅛ per cent. When that payment was made the directors stated that the increase was designed to even out the year's distributions.

★

Cotton spinners and weavers have rejected a claim for a 10 per cent increase in the wages of some 300,000 workers. The unions intend to notify the Ministry of Labour of the dispute, with the object of taking it before the Industrial Tribunal.

★

The new standard copper contract has been approved by the London Metal Exchange and will be introduced on October 4th. It requires all copper to be delivered ex-warehouse, instead of ex-ship or ex-smelter.

★

The Iranian rial has been appreciated for commercial transactions. The effective exchange rate has been changed from 93 to 82 rials to the dollar and from 253 to 229.6 rials to the pound. This marks a rise in the dollar-sterling cross rate from $2.72 to $2.80. The official rate for the rial, which was last applied to the transfers of the Anglo-Iranian Oil Company, remains at 90 to the pound. The rate that will be applied to the transactions of the oil consortium is not yet known.

Company Notes

WHITWORTH AND MITCHELL. Though Whitworth and Mitchell makes and processes its own fabrics, the heart of its business both at home and abroad is merchant converting — that is, the merchanting of cloths manufactured and finished to the company's specifications and designs by other firms. Its stocks are vulnerable to shifts in prices and shrinkage of demand. When the recession hit Lancashire, Whitworth and Mitchell was forced in two successive stages to write its stocks down by £435,000, a process which turned its trading profits into losses. Any recovery from such a blow is bound to be slow and it was not until the latest financial year (to June 30th last) that the company set back along the road to prosperity.

In this year the company earned a profit before tax of £128,322. After tax a net profit of £71,822 was returned, in contrast to a loss in 1952-53 of £31,230 and in 1951-52 (when most of the losses on stocks were brought in) a loss of £108,833. This profit has enabled the directors to pay a full year's dividend on the 6 per cent preference stock for the period to December 31st last, leaving the preference dividend still six months in arrears. These arrears will have to be made good before the directors can declare a dividend on the ordinary stock; the last dividend the equity shareholders received was an interim of 2½ per cent paid in 1951-52. The £1 ordinary stock units are now quoted at 17s. 6d., while over the year so far the price has ranged between the "high" of 23s. and the "low" of 15s. 6d.

FURNESS WITHY. The reports of other big shipping lines earlier this year pointed inevitably to a decline in the profits of Furness Withy when that company made its report. Its preliminary statement for the year to April 30th does indeed reveal a sharp fall in earnings. Profits before tax have dropped from about £3½ million to about £2½ million, the unavoidable result of lower freight rates and rising costs. Taxation has naturally also fallen—from £1,370,124 to £970,145—but net profits are down from £1,869,877 to £1,285,182. That the ordinary dividend should be left unchanged at 12 per cent in these circumstances was as inevitable as was the fall in profits. Investors certainly had not expected anything better and after the announcement the £1 ordinary stock units lost only 3d. to 34s. 3d., to offer a still well covered yield of 6.9 per cent—well in the centre of the bracket of yields offered by shipping shares.

For Furness Withy, like the other shipping companies, the decline in profits has come at a time when the company was completing the modernisation of its fleet; a year ago the chairman pointed out that the estimated cost of new tonnage contracted for was nearly £12½ million, compared with £6.3 million in 1951-52 (the year of booming profits in the shipping industry). Now Furness Withy, like P. & O. and Clan Lines, has taken an interest in air freighting. This year it acquired a substantial, though not controlling, interest in Airwork, the independent and privately owned air transport undertaking.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950 = 100)					Average Yields (per cent)				
	July 28, 1953	April 27, 1954	May 25, 1954	June 29, 1954	July 27, 1954	July 28, 1953	April 27, 1954	May 25, 1954	June 29, 1954	July 27, 1954
2½% Consols	85·8	93·5	94·1	93·7	95·6	4·13	3·78	3·76	3·78	3·70
Debenture stocks:										
Industrial	84·0	88·1	90·1	90·0	90·0	4·90	4·67	4·57	4·57	4·57
Investment trust	84·2	90·5	91·5	92·0	92·0	4·90	4·56	4·51	4·48	4·48
Preference stocks:										
Industrial	87·7	91·9	93·6	94·0	93·9	5·17	4·94	4·85	4·83	4·84
Investment trust	85·3	88·9	90·5	91·6	92·0	5·17	4·96	4·87	4·82	4·79
Ordinary stocks:										
Banks	89·7	99·1	101·4	101·6	104·8	4·56	4·44	4·35	4·35	4·29
Industrial insurance	107·4	115·6	116·4	120·5	126·3	5·30	5·04	5·01	4·95	4·73
Investment trust	120·3	153·7	162·3	163·8	171·2	5·73	4·83	4·70	4·75	4·55
Electrical engineering	97·1	116·2	120·3	123·8	131·9	6·23	5·33	5·16	5·02	4·79
Engineering	107·8	135·7	143·9	146·5	155·1	5·48	4·75	4·49	4·57	4·35
Motors and aircraft	106·4	133·4	141·2	151·3	160·6	6·40	5·67	5·38	5·08	4·93
Breweries	93·4	105·9	111·0	112·7	113·4	6·93	6·55	6·42	6·41	6·37
Chain stores	136·6	197·0	200·4	205·7	210·2	4·61	3·53	3·74	3·65	3·60
Cotton textiles	93·0	125·7	129·3	123·5	120·1	6·82	6·57	6·49	7·12	7·29
Household goods	86·3	128·7	136·0	137·0	143·2	5·73	5·36	5·24	5·23	4·97
Rayon	74·4	86·2	89·8	82·7	80·3	4·70	4·86	5·01	5·73	5·89
Tobacco	82·4	80·5	84·7	79·6	83·4	7·16	7·73	7·37	8·05	7·66
Wool textiles	90·9	108·1	113·5	117·5	115·0	6·47	6·09	5·90	5·66	5·72
Chemicals	116·5	149·6	157·1	167·2	176·4	5·30	4·66	4·46	4·40	4·16
Oil	110·1	149·6	157·7	160·4	153·4	7·02	6·06	6·10	6·24	6·52
Shipping	107·8	125·1	120·9	121·2	127·3	7·00	6·07	6·32	6·16	5·85
Total (capital goods)	*104·5*	*130·0*	*136·4*	*140·7*	*147·3*	*6·15*	*5·36*	*5·17*	*5·11*	*4·97*
Total (consumption goods)	*96·9*	*118·8*	*123·8*	*123·0*	*126·2*	*6·32*	*5·34*	*5·14*	*5·39*	*5·17*
Total industrial (all classes)	**101·3**	**125·7**	**131·4**	**133·1**	**136·7**	**6·25**	**5·61**	**5·51**	**5·56**	**5·48**

LONDON STOCK EXCHANGE

Next Account begins: August 25th
Next Contango Day: August 25th
Next Settlement Day: August 17th

THE stock market was very active both at the end of the old account and the beginning of the new. Interest switched to Kaffirs but industrial equities remained firm and by the close on Wednesday (the *Times* ordinary share index had been pushed up to a new peak of 164.4. In the gilt-edged market prices slipped back on Monday (with old Consols dipping ⅜ to 68⅛); these falls were due more to a slackening in demand than to any offerings of stock. Prices soon began to edge up again and long dated stocks on Wednesday more or less wiped out the earlier losses; but on Thursday further small losses were reported. Little interest was taken in foreign bonds; Japanese issues turned dull on Mr Dulles's statement. Greek bonds were marked up ½ of a point on the news that the debt settlement negotiations would begin in Paris next month.

Though some profits were taken in the industrial market, the falls reported in some issues were counter-balanced by the gains made in the store, engineering, paper, motor, brewery and radio issues. Bowater climbed to 64s. 6d. after the news about the mills in the United States. Tobacco shares were also firm and after the announcement of the interim dividend "Bats" gained 2s. to 43s. 3d. When the market opened on Thursday prices still remained firm and Vickers put on 3s. to 39s. on the Viscount order and Hudson's Bay gained 6s. to 133s. on the news of an increase in production by the company's oil interests. The oil market was very active indeed and Anglo-Iranian shot up at one time to 16⅜, though on the close on Thursday the price had slipped back to 15⅞. Other oil shares followed Anglo-Iranian.

Turnover in the Kaffir market increased sharply. The developing mines in the OFS attracted most interest (with President Brand and F. S. Geduld prominent). But the producers and the finance houses also shared in the advance. But losses in Kaffirs were reported on Thursday.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
			%	%
Aug. 4	162·5	116·49	3·62	4·87
„ 5	163·1	116·55	3·61	4·85
„ 6	163·2	116·51	3·62	4·85
„ 9	162·9	116·64	3·63	4·86
„ 10	163·9	116·66	3·62	4·85
„ 11	164·4	116·68	3·61	4·81
1954, High	164·4 (Aug. 11)	116·68 (Aug. 11)	Total bargains 1954	
„ Low	131·1 (Jan. 1)	111·78 (Jan. 5)	Aug. 4	12,918
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 5	13,923
„ Low	113·9 (May 20)	105·68 (Jan. 5)	„ 6	13,642
			„ 9	16,702
			„ 10	15,478
			„ 11	15,493

* July 1, 1935 = 100. † 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Aug. 11 High	Prices, 1954 Jan. 1 to Aug. 11 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Aug. 4, 1954	Price, Aug. 11, 1954	Net Yield, Aug. 11, 1954 §	Gross Yield, Aug. 11, 1954
					£ s. d.	£ s. d.
100⅛	99⅞	Exchequer 2½% 1955	100⅛	100⅛	0 12 6	1 12 3
105⅛	101½	Exchequer 3% 1960	105•	104⅝•	0 14 6	2 0 6
104⅛	99⅛	Exchequer 3% '62-63	104⅛	104⅛	1 3 4	2 10 3
100⅜	99⅛	Serial Funding 1¼% 1954	100/0·8½	100/0·7½	0 1 1	1 11 10
100⅛	99⅛	S. Fdg. 1¼% 1954 Ass. Exc.	100⅛	100⅛	0 1 7	2 10 3
101⅛	99⅛	Serial Funding 2½% 1957	101⅛	101⅛	0 13 3	1 14 10
101⅛	100⅛	Serial Funding 3% 1955	101⅛	101⅛	0 2 1	1 14 0
101⅛	100	War Bonds 2½% '54-56	100⅜	100⅜	0 17 9	2 0 0
101⅛	100⅛	Funding 2½% '52-57	100⅛	100⅛	1 5 0	2 11 1
101⅛	100⅛	Nat. Def. 3% '54-58	100/2/3	100/1/8	...	1 8 10
102⅛	101⅛	War Loan 3% '55-59	102⅛	102⅛	1 5 8	2 14 2
100⅛	99⅛	Savings Bonds 3% '55-65	99⅛•	99⅛•	1 14 10	3 2 0
101⅛	95⅛	Funding 2½% '56-61	101⅛	101⅛	1 4 3	2 7 9
98⅛	97⅛	Funding 3% '59-69	97⅛	98	1 17 0	3 5 2
98⅛	92⅞	Funding 3% '66-68	98⅛	98⅛	1 15 11	3 3 3
97⅛	93⅛	Funding 3½% 1999-2004	97⅛	97⅛	2 0 0	3 12 2
105⅛	97⅛	Funding 4% '60-90	105⅛	105⅛	1 8 0	3 5 0
96⅛	100⅛	Savings Bonds 3% '60-70	95⅛•	96⅛•	1 18 7	3 6 2
95⅛	90⅛	Savings Bonds 2½% '64-67	95⅛	95⅛	1 16 8	3 0 6
105⅛	90⅛	Victory 4% '20-76	104⅛•	103⅛•	1 16 6	3 11 4
95⅛	101⅛	Savings Bonds 3% '65-75	95⅛•	95⅛•	1 18 7	3 6 4
97⅛	87⅛	Consols 4% aft. Feb. '57	97⅛	97⅛	2 5 1	4 2 1
93	93⅛	Conv. 3½% aft. April '61	92⅛	92⅜	2 1 10	3 16 6
102⅞	84⅛	Conv. 3½% 1969	101⅛•	101⅛•	1 15 7	3 6 8
100⅛	99⅛	Conv. 2½% 1958-59	100⅛	100⅛	0 19' 7	1 17 10
69⅛	99⅛	Treas. 2½% aft. April '75	69⅛	69⅛	1 19 9	3 12 9
82⅛	63⅛	Treas. 3% aft. April '66	81⅛	82	2 0 6	3 14 2
101⅛	74⅛	Treas. 3½% '77-80	100⅛	100⅛	1 18 2	3 9 10
100⅛	92⅛	Treas. 3½% '79-81	100⅛•	100⅛•	1 18 0	3 9 5
91⅛	92⅛	Redemption 3% '86-96	90	91	1 19 9	3 9 2
92	83	War Ln 3½% aft. Dec. '52	91⅛	91⅛	2 2 2	3 16 11
69⅛	84⅛	Consols 2½%	69⅛	69⅛	1 19 10	3 12 6
96⅛	63⅛	Br. Elec. 3% '68-73	96⅛	96⅛	1 18 3	3 6 8
95⅛	88⅛	Br. Elec. 3% '74-77	95⅛	94⅛•	1 18 9	3 6 6
111⅛	87⅛	Br. Elec. 4½% '74-79	110⅛	111⅛	1 14 5	3 11 5
101⅛	103⅛	Br. Elec. 3½% '76-79	101⅛	101⅛	1 17 6	3 9 4
91⅛	93⅛	Br. Trans. 3% '78-88	91⅛	91⅛	2 0 5	3 9 3
96⅛	83⅛	Br. Trans. 3% '68-73	96⅛	96⅛	1 18 3	3 6 8
107⅛	88⅛	Br. Trans. 4% '72-77	106⅛	106⅛	1 15 6	3 10 6
91⅛	100⅛	Br. Gas 3% '90-95	91⅛	91⅛	1 19 9	3 8 11
102⅛	84⅛	Br. Gas 3½% '69-71	101⅛•	101⅛•	1 16 2	3 7 2
106⅛	96⅛	Br. Gas 4% '69-72	106⅛•	106⅛•	1 14 1	3 8 9
	99⅛					

(*c*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. • Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953 High	Prices, 1953 Low	Prices, 1954 Jan. 1-Aug. 11 High	Prices, 1954 Jan. 1-Aug. 11 Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, Aug. 4, 1954	Price, Aug. 11, 1954	Yield, Aug. 11, 1954
							£ s. d.
92	84⅛	96⅛	90⅛	Aust. 3½% '65-69	95½	95½	3 13 0
...	...	99⅛	97⅛	Ceylon 4% '73-75	99	99	4 1 6
98⅛	98⅛	106	98⅛	N. Zealand 4% '76-78	104⅛	104⅛	3 14 1
73⅛	66⅛	79⅛	71⅛	L.C.C. 3% aft. 1920	79•	79⅛	3 15 6
95⅛	90⅛	99⅛	95	Liverpool 3% '54-64	98⅛	98⅛	3 3 6
81⅛	73⅛	87	80⅛	M.Wtr.'B'3% '34/2003	85⅛•	85⅛	3 12 8
104⅛	101⅛	104⅛	101⅛	Agric. Mort. 5% '59-89	102½	102½	4 4 10
...	...	95⅛	71⅛	German 7%	83⅛	82	...
...	...	142	102	German 5½%	124⅛	122	...
159⅛	119	159⅛	132⅛	Japan 5% 1907	151	148⅛	...
186⅛	136	186⅛	168⅛	Japan 5½% Conv. 1930	178⅛	175⅛	...

Prices, 1954 Jan. 1 to Aug. 11 High	Prices, 1954 Jan. 1 to Aug. 11 Low	Last Two Dividends (*a*) (*b*) (*c*)	ORDINARY STOCKS	Price, Aug. 4, 1954	Price, Aug. 11, 1954	Yield, Aug. 11, 1954
						£ s. d.
65/-	41/4½	12½ *c*	STEEL & ENGINEERING			
12/4	8/9	5 *a*	B.S.A. £1	49/-	49/6	4 0 0
61/9	49/9	5 *a*	Cammell Laird 5/-	15 *c*	15 *c*	4 18 4
38/3	34/6	...	Guest Keen N'fold £1	10 *b*	10 *b*	4 18 4
25/4½	22/-	7½ *b*	Stewarts & Lloyds £1	59/9	61/-	...
37/3	23/9	2½ *a*	United Steel £1	4 *a*	4 *a*	7 1 10
		12½ *b*	Vickers £1	37/3	38/-	...
28/2	21/4	4 *a*	TEXTILES			
32/4½	24/9	6 *a*	Bradford Dyers £1	11 *b*	11 *b*	7 15 4
31/4½	24/8	5 *a*	Brit. Celanese 10/-	25/6	25/9	7 15 4
34/-	25/2	6½ *a*	Coats (J. & P.) £1	10 *b*	10 *b*	5 12 2
20 *c*	10 *a*	4½ *b*	Courtaulds £1	26/9	26/9	5 12 2
30/3	23/8	5 *a*	Lancs. Cotton £1	4½ *b*	4½ *b*	5 12 2
79/6	64/-	15 *b*	Patons & Baldwins £1	26/9	26/6	5 13 2
			ELECTRICAL	66/6	65/9	6 1 9
60/6	41/9	7½ *b*	Assoc. Elect. £1	60/-	60/-	3 15 0
46/6	38/-	(*l*) 7½ *b*	B.I.C.C. £1	45/9	46/-	4 6 11
53/9	38/6	6½ *b*	English Elect. £1	50/-	52/6•	4 1 3
52/3	37/9	8½ *b*	General Elect. £1	50/-	52/3	4 15 9
			MOTOR & AIRCRAFT			
23/7½	18/6	3½ *a*	Bristol Aeroplane 10/-	22/10½	22/7½	4 8 5
12/5½	6/3½	6½ *b*	British Motor 5/-	10/7½	12/3	4 5 9
30/3	23/4½	7½ *c*	De Havilland £1	26/4½	26/9	5 12 2
72/4½	35/9	7½ *c*	Ford Motor £1	70/7½	71/3	3 7 5
44/6	23/10	9 *b*	Hawker Siddeley £1	44/-	42/9	3 10 2
100/6	80/6	25 *c*	Leyland Motors £1	97/6	97/6	5 2 7
73/-	44/-	5 *a*	Rolls Royce £1	67/6	68/9	3 7 11
8/10½	5/5½	12 *c*	Standard Motor 5/-	8/1½	8/3	7 5 5
			SHOPS & STORES			
27/2½	22/9	10 *a*	Boots Pure Drug 5/-	26/1½	26/6	4 4 11
42/9	32/-	15 *b*	Debenhams 10/-	40/6	41/6	4 16 5
98/-	53/3	15 *a*	Gt. Universal 5/-	95/-	97/-	3 1 10
110/-	92/9	5 *a*	Lyons (J.) 'A' £1	107/6	108/-	4 3 4
59/-	36/11	20 *a*	Marks & Spen. 'A' 5/-	58/-	55/6	2 18 7
80/6	64/-	40 *b*	Woolworth 5/-	75/6	75/6	3 19 6
			OIL			
16⅛	8⅛	5 *a*	Anglo-Iranian £1	13	15⅞	2 13 6
£44⅛	£28	4 *a*	Royal Dutch 100 fl.	£41	£41	3 1 1
106/9	77/10	5½ *a*	Shell Reg. £1	96/10½	103/9	4 7 6
25/7½	17/6	15† *b*	Trinidad L'holds 5/-	23/6	23/9	3 16 6
34/9	25/3	...	Ultramar 10/-	28/-	29/-	Nil
			SHIPPING			
44/6	36/7½	16 *c*	Cunard £1	44/-	43/6	7 7 2
38/7½	30/3	12 *c*	Furness Withy £1	35/-	34/-	7 1 2
48/7½	31/3	6 *a*	P. & O. Def. £1	48/-	47/6	4 12 8
35/3	24/10½	(*p*) 10 *c*	Royal Mail £1	30/6	30/6	6 11 2
			MISCELLANEOUS			
90/3	67/9	5 *a*	Assoc. Port. Cem. £1	85/7½	87/6	4 0 0
63/3	33/-	15 *c*	Bowater Paper £1	56/10½	61/3	3 18 5
40/-	33/9	6 *b*	Brit. Aluminium £1	35/7½	36/3	5 10 4
43/3	36/3	12½ *c*	Brit. Amer. Tob. 10/-	40/-	41/-	5 10 11
$49½	$38½	3 *b*	Canadian Pacific $25	$48	$47	5 17 0
43/10½	32/6	35 *c*	Dorada Record 4/-	41/-	43/-•	4 1 8
27/3	18/5	11½ *c*	Dunlop Rubber 10/-	26/6	27/3	5 2 9
37/7½	26/6	6 *a*	Imp. Chemical £1	35/6	37/6	4 0 0
58/7½	49/3	11½ *b*	Imp. Tobacco £1	53/-	54/6•	7 6 9
$81⅛	$63½	$2·60 *c*	$2·35 *c* Inter. Nickel n.p.v.	$81½	$80	5 4 11
60/7½	51/6	7½ *a*	London Brick £1	58/-	60/3	4 12 11
78/3	63/6	12½ *b*	Tate & Lyle £1	74/-	74/-	4 6 6
71/-	60/6	7½ *b*	Tube Investments £1	67/6	68/9	4 7 3
87/6	69/-	17½ *c*	Turner & Newall £1	85/6	87/-	4 0 6
84/9	57/6	6 *a*	Unilever £1	79/6	80/-	3 18 9
38/3	30/3	7½ *b*	United Molasses 10/-	34/6	35/-	6 5 9
42/9	28/-	Nil *c*	Cons. Tea & Lands £1	38/6	41/6	8 15 4
2/4½	1/10	10 *c*	London Asiatic Rbr. 2/-	1/11½	10 6 5	
38/6	25/2	5 *a*	United Sua Betong £1	34/-	36/-	7 8 2
			MINES			
8⅛	5⅛	20 *a*	Anglo-Amer. 10/-	7⅛	8⅛	3 14 5
113/1½	68/3	80 *a*	De Beers 5/- Bearer	110/7½	112/6	8 17 9
109/9	56/6	...	Free State Geduld 5/-	97/6	107/6	Nil
76/3	54/9	8½ *c*	Randfontein £1	62/3	70/3	2 16 11
6/9	4/10½	22 *c*	London Tin 4/-	6/2½	6/3	15 7 2
26½	16⅛	175 *b*	Rhokana £1	26	26	8 13 1

Last Two Dividends (*a*) (*b*) (*c*)	ORDINARY STOCKS	Price, Aug. 4, 1954	Price, Aug. 11, 1954	Yield, Aug. 11, 1954
				£ s. d.
	BANKS & DISCOUNT			
16 *c*	5 *a* Barclays £1	49/-	49/6	4 0 10
14 *c*	7 *a* Lloyds 'A' £5, £1 pd.	64/6	64/6	4 6 10
8 *b*	8 *a* Midland £1, fully pd.	82/6•	82/6	3 17 7
8½ *b*	8½ *a* N. Prov. 'B' £5, £1 pd.	81/6	82/6	4 2 5
18 *c*	10 *a* Westminster £4, £1 pd.	89/-•	89/-	4 0 11
17½ *b*	7½ *a* Alexanders £2, £1 pd.	125/-	125/-	4 0 0
5 *b*	5 *a* Nat. Disc. 'B' £1	48/-•	49/-	3 1 3
5 *b*	5 *a* Union Disc. £1	53/-	52/-	3 16 11
4 *b*	4 *a* Barc. (D.C. & O.) 'A' £1	45/6	45/-	3 11 1
7 *a*	7 *b* Chart. Bk. of India £1	42/6	42/6	6 11 9
	INSURANCE			
50 *a*	85 *b* Leg. & Gen. £1, 5/- pd.	14⅛	16⅛	2 0 11
20† *a*	40† *b* Pearl £1, fully pd.	23	23	4 14 11
105† *c*	112½† *c* Prudential 'A' £1	43	44⅛	4 12 6
	BREWERIES, ETC.			
33 *b*	10 *a* Bass £1	126/10½	126/10½	6 15 7
11 *b*	17½ *b* Distillers 4/-	22/6	22/6	4 8 11
11 *b*	8 *a* Guinness 10/-	35/-	37/-	5 2 8
113·9	-15½ *b* Whitbread 'A' Ord. £1	77/6	77/6	5 8 5

* Ex dividend.

New York Closing Prices

	Aug. 4	Aug. 11		Aug. 4	Aug. 11		Aug. 4	Aug. 11
	$	$		$	$		$	$
Balt. & Ohio	27⅛	27⅛	Am. Smelting	38½	37	Inter. Paper	79½	76⅛
Can. Pac.	26⅛	26⅛	Am. Viscose	38½	37½	Nat. Distill.	20⅜	20⅛
N.Y. Cent.	21⅛	22⅛	Cel. of Amer.	21	20⅛	Sears Roebuck	68⅛	68⅛
Pennsyl.	17	16⅛	Chrysler	65½	58⅛•	Shell	48	47⅛
Amer. Tel.	173½	173½	Gen. Elec.	46¼	44⅛	Std. Oil of N.J.	89⅛•	88⅛
Stand. Gas.	14	13½	Gen. Motor	81½	81⅛	U.S. Steel	54½	54½
United Corp.	5⅞	5⅞	Goodyear	74½	71⅛•	Westinghouse	70⅜•	69⅛
W. Union Tel.	49½	53⅛	Inter. Nickel	45	44⅛	Woolworth	44⅛	44⅛
			• Ex dividend.					

(*a*) Interim dividend. (*b*) Final dividend. (*c*) Whole year's dividend. (*d*) Yield basis 21%. (*e*) To earliest date. (*f*) Flat yield. (*g*) Yield basis 43⅛%. (*h*) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 14·8%. (*i*) Yield basis 13⅛% after capital bonus. (*j*) Yield basis 11⅛%. (*k*) Yield basis 8%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution. (*q*) Yield basis 22% gross. (*r*) Yield basis 32½%. (*s*) Yield basis 22·7% gross. (*t*) Also 2½%, not subject to tax, from capital profits. Yield basis 10%. (*u*) Yield basis 12%. (*v*) Yield basis 7½%. (*w*) Yield basis 20%. (*x*) Yield basis 18·18% gross. (*y*) Yield basis 11%, after capital bonus. (*z*) Yield basis 11½%. • Ex dividend. † Free of tax. Yield calculated on gross basis.

Statistics

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

British		Overseas	
Prices and Wages	Aug. 7th	Western Europe:	
Production and Consumption	This week	Production and Trade	Aug. 7th
Manpower	July 24th	British Commonwealth	This week
External Trade	July 31st	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	July 24th
Industrial Profits	July 17th	United States	July 31st
		World Trade	July 17th

UK Production and Consumption

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

		Unit	Monthly averages			1953			1954			
			1951	1952	1953	April	May	June	March	April	May	June
INDUSTRIAL PRODUCTION												
Index:												
All industries		1948=100	117	114	121	117	123	118	131	125	133	126-127[a]
Mining and quarrying		"	108	109	109	111	109	105	117	106	116	...
Building and contracting		"	101	103	109	107	109	109	...	...	...	...
Gas, electricity and water		"	124	127	132	131	119	116	152	137	131	...
Manufacturing, total		"	121	115	123	119	127	121	135	128	137	...
Engineering, shipbuilding, electrical goods		"	127	127	129	123	133	126	140	...	...	...
Vehicles		"	124	124	138	132	146	134	163	144	...	...
Chemical trades		"	134	132	151	147	151	145	164	...	...	...
Textiles and clothing		"	116	99	114	113	118	112	125	...	...	...
Food, drink and tobacco		"	105	108	114	113	128	120	113	118	...	...
BASIC MATERIALS												
Production of:												
Coal [1]	W	'000 tons	4,275	4,332	4,300	4,365	4,332	4,159	4,612	4,192	4,594	4,215[a]
Pig-iron	W	"	186	202	215	213	215	211	231	232	231	233
Steel, ingots and castings	W	"	301	310	339	349	351	348	365	368	374	372
Sulphuric acid	M	"	133·8	125·5	156·3	159·0	153·4	147·4	186·3	176·8	169·9	...
Newsprint	W	"	10·13	10·32	11·60	11·60	13·11	11·86	12·16	11·83	12·47	...
Electricity [1]	M	mn. kwh	4,964	5,166	5,459	5,269	4,856	4,626	6,650	5,634	5,592	5,090
MANUFACTURING												
Textile production:												
Cotton yarn, single	W	mn. lb	20·71	14·82	17·97	17·48	18·45	17·04	20·54	18·66	20·78	17·36
Worsted yarn	M	"	16·61	14·84	18·40	17·82	17·14	18·30	20·85	17·87	19·08	...
Rayon and synthetic fibres, total	M	"	32·00	23·59	34·94	32·75	36·62	35·04	40·18	35·97	37·81	37·38
" " " " staple fibre	M	"	13·93	10·59	16·85	14·81	17·57	17·62	19·94	17·25	18·75	19·21
Cotton cloth, woven	W	mn. yds	42·3	32·5	35·2	33·8	35·8	36·1	40·4	38·2	41·0	39·0
Wool fabrics, woven	M	mn. sq yds	34·8	31·5	34·3	32·2	31·1	34·0	36·3	31·4	33·0	...
Engineering production:												
Passenger cars and chassis	W	'000s	9·15	8·62	11·44	11·05	12·65	11·51	14·71	14·56	16·13	14·7
Commercial vehicles and chassis	W	"	4·96	4·66	4·61	4·19	4·92	4·33	4·87	4·53	5·14	4·4
Metal-working machine tools	M	'000 tons	11·09	12·58	12·63	14·14	13·15	11·84	13·35	10·75	11·75	...
Internal combustion engines	M	'000 BHP	353	331	311	303	332	308	353	352	342	...
BUILDING ACTIVITY												
Permanent houses completed: [1]												
Total	M	'000s	16·24	19·99	26·56	23·26	26·01	26·60	33·71	27·26	31·37	30
For private owners	M	"	1·88	2·86	5·24	4·44	4·61	5·22	7·07	7·01	7·70	7
For local housing authorities	M	"	13·55	16·11	19·91	17·70	20·15	20·15	24·54	18·19	21·61	21
Other	M	"	0·81	1·03	1·41	1·12	1·25	1·23	2·10	2·07	2·06	2
WHOLESALE SALES [1]												
Textile houses:		Av. value										
Total home sales		1950=100	104	90	95	96	91	69	116	99		
Women's and children's wear		"	100	90	96	101	94	65	123	102		
Men's and boys' wear		"	104	82	91	92	92	78	110	99		
Piece-goods		"	103	68	66	62	67	51	87	65		
RETAIL SALES [1]												
Large retailers:		Weekly										
All merchandise		av. value	109	117	124	118	126	121	122	126		
Clothing and footwear		1950=100	110	110	113	105	126	109	105	123		
Household goods		"	108	102	110	103	111	95	114	111		
Independent retailers:												
Clothing and footwear		"	100	95	94	89	109	89	79	99		
Household goods		"	112	109	120	112	125	105	112	117	123	...
STOCKS												
Basic materials:												
Coal, distributed [1] [4]		'000 tons	...	15,809	17,625	12,401	13,475	14,731	12,780	12,511	13,359	14,685
Steel		"	640	817	1,112	966	1,006	1,024	980	1,029	1,009	...
Copper [5]		"	113·4	132·0	50·6	165·4	182·5	185·9	47·3	60·1	65·3	...
Sulphur		"	99·4	211·8	66·8	170·5	160·5	159·4	82·3	70·4	68·4	...
Newsprint		"	109·9	189·7	110·6	158·0	157·9	149·0	100·1	95·0	93·6	...
Textiles:		Av. value										
Wholesale houses, total [1]		1950=100	120	74	89	86	87	89	118	114	112	110
Large retailers, clothing and footwear [1]		"	106	92	102	112	110	108	128	126	127	...

[1] Great Britain. [a] Provisional estimate. [4] Excluding government stocks from August, 1953. [5] Excluding stocks held by industrial consumers with an annual consumption of less than 1,000 tons.

British Commonwealth

PRODUCTION OF FUEL AND POWER [1]

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Pakistan	Australia	Canada	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1938	973	805	2,362	1,526	72	...	363	2,180	...	...	478
1952	1,617	1,153	3,025	2,302	679	14·7	975	5,149	516	252	1,044
1953	1,535	1,032	2,987	2,362	897	15·8	1,079	5,457	560	286	1,112
1954, January	1,173	1,151	2,903	2,422	1,067	5·4	1,036	5,634	590	266	1,111
" February	1,454	1,077	3,056	2,118	1,011	5·0	1,020	5,153	551	258	1,051
" March	1,810	951	...	2,429	822	...	1,181	5,766	594	297	1,188
" April	1,549	872	...	2,349	714	...	...	5,653	...	297	1,158
" May	...	794	...	...	...	...	...	...	...	...	...

PRIMARY PRODUCTION [2]

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1938	17·7	17·7	4·2	30·0	5·31	100	96	78	25	132·7	394	1,013·4
1952	17·2	25·1	8·0	48·7	5·24	137	275	132	103	81·9	373	983·3
1953	16·0	28·4	7·8	47·9	5·20	171	306	126	106	89·7	339	994·7
1954, February	13·3	23·2	6·3	43·4	5·55	152	238	133	108	86·7	311	979·7
" March	21·0	29·6	4·5	42·1	6·88	179	223	147	117	101·4	369	1,074·2
" April	22·3	32·5	7·2	42·2	6·29	177	228	129	114	87·0	358	1,058·9
" May	21·5	29·0	5·3	48·7	6·23	177	...	...	120	...	...	1,091·0
" June	...	...	7·7	43·5	...	...	...	...	...	...	...	1,092·7

EXTERNAL TRADE [3]

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. C$		'mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1938	10·6	11·8	56	71	...	...	4·62	4·76	...	...	7·97	2·71
1952	87·5	55·7	336	363	550	482	22·96	19·98	178·3	167·4	34·83	28·02
1953	42·5	70·9	365	348	471	440	16·01	19·60	112·6	125·8	35·45	26·88
1954, January	60·4	58·0	280	265	404	445	17·70	19·00	112·6	118·4	35·30	21·00
" February	45·4	58·1	293	280	404	408	20·00	26·80	94·9	98·6	34·30	27·20
" March	66·9	85·9	353	321	490	437	...	25·80	69·0	129·4	43·30	30·30
" April	52·1	65·7	358	298	475	310	...	...	66·9	120·8	37·10	26·00
" May	60·2	59·6	366	364	464	384	...	...	...	...	...	...

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	72	66	35	72	...	68	71
1952	944	1,864	1,729	120	381	167	121	105	128	101	126	133
1953	...	1,827	1,765	204	293	183	120	108	134	112	130	137
1954, February	...	1,860	1,811	235	274	188[a]	120	105	139[a]	112	131	137
" March	...	1,832	1,828	255	295		120	...		112	131	137
" April	...	1,817	1,827	268	301	...	120	...	...	111	132	138
" May	...	1,833	1,824	286	314	...	120	...	...	...	...	...
" June	...	1,869	1,809	...	334	...	...	...	...	...	...	...

[1] Petroleum production in Canada in 1938 includes natural gasoline. 1938 figure of electricity production in Australia was for 12 months ended 30th; figures for New Zealand represent about 87 per cent of total generation. [2] Copper and tin refer to metal production. [3] General trade ...ing 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 ...). 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 ...tralia and Pakistan 12 months ended June 30th. [4] Gold and foreign exchange holdings are those of the government and central bank: only figures ...tralia include holdings of commercial banks. Cost of living for Pakistan is based on 12 months ended March, 1949, as 100; for S. Africa and S. ...sia relates to Europeans only and for S. Africa includes direct taxes. Annual figures for Australia are for year ended June 30th. [a] Average for ...rter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended August 7th there was an "above-line" surplus (after allowing for Sinking Funds) of £26,392,000 compared with a surplus of £12,821,000 in the previous week and a surplus of £29,174,000 in the corresponding period of last year. This reduced the cumulative deficit to £97,373,000 (£122,024,000 in 1953-54). Net expenditure "below-line" absorbed £12,657,000 bringing the total cumulative deficit to £255,073,000 (£300,442,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Aug. 8, 1953	April 1, 1954 to Aug. 7, 1954	Week ended Aug. 8, 1953	Week ended Aug. 7, 1954
Ord. Revenue					
Income Tax	1800,000	343,755	338,296	9,916	20,526
Sur-tax	132,000	96,700	25,900	800	700
Death Duties	164,375	61,500	63,000	2,700	3,200
Stamps	55,000	18,800	24,300	900	1,600
Profits Tax & EPT	172,000	68,000	56,100	5,600	4,300
Excess Profits Levy	60,000	19,950	31,100	2,100	1,100
Special Contribution and other Inland Revenue	1,000	330	500	—	50
Total Inland Rev.	2384,375	539,035	539,196	22,016	31,476
Customs	1062,500	366,191	388,451	11,940	18,122
Excise	719,000	263,915	259,140	37,230	34,765
Total Customs and Excise	1781,500	630,106	647,591	49,170	58,887
Motor Duties	77,000	12,492	13,911	2,405	2,863
P.O. (net receipts)	...	...	1,850	...	1,850
Broadcast Licences	21,000	3,900	4,700	...	...
Sundry Loans	24,000	8,113	5,696	1,511	55
Miscellaneous	245,000	44,474	36,985	988	308
Total	**4532,875**	**1238,120**	**1250,129**	**76090**	**89,439**
Ord. Expenditure					
Debt Interest	570,000	173,868	169,827	4,014	18,310
Payments to N. Ireland Exchequer	51,000	16,632	16,855	1,712	1,747
Other Cons. Fund	10,000	4,167	3,847	...	...
Supply Services	3855,399	1155,586	1146,669	40,440	42,400
Total	**4486,399**	**1350,252**	**1337,199**	**46,126**	**62,457**
Sinking Funds	36,000	9,892	10,303	790	590
"Above-line" Surplus or Deficit	— 122,024	— 97,373	+ 29,174	+ 26,392	
"Below-line" Net Expenditure	178,418	157,700	9,407	12,657	
Total Surplus or Deficit	— 300,442	— 255,073	+ 19,767	+ 13,735	
Net Receipts from:					
Tax Reserve Certificates	84,577	159,650	2,868	3,330	
Savings Certificates	8,200	4,800	200	— 100	
Defence Bonds	— 24,148	— 8,449	— 802	— 47	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
Aug. 8	3,290·0	1,389·0	208·1	—	4,887·1
1954					
May 8	3,240·0	1,272·2	266·9	—	5,134·2
" 15	3,260·0	1,627·9	276·8	—	5,164·7
" 22	3,290·0	1,595·7	305·0	—	5,190·6
" 29	3,320·0	1,579·8	270·6	—	5,170·4
June 5	3,340·0	1,274·2	278·9	—	4,893·1
" 12	3,320·0	1,332·8	274·6	—	4,927·3
" 19	3 300·0	1,372·1	296·1	—	4,968·2
" 30	4,700·0		268·6	3·3	4,971·8
July 10	3,280·0	1 432·5	260·2	—	4,972·7
" 17	3,260·0	1,411·6	267·2	—	5,038·8
" 24	3,270·0	1,492·2	281·6	—	5,043·9
" 31	3,270·0	1,485·5	263·1	—	5,018·7
Aug. 7	3,280·0	1,447·7	285·3	—	5013·0

THE MONEY MARKET

CREDIT conditions became stringent in Lombard Street on Saturday last, after a week in which credit supplies had been plentiful and even in surplus. The authorities made small purchases of bills, mainly indirectly through the banks, but funds still remained in keen demand. On the first three days of this week the stringency remained, and was again only partially relieved by special purchases, made on a moderate scale and again mainly through the banks. Throughout the week the banks bought only few bills, mainly October maturities at 1⅛ per cent.

At last Friday's Treasury bill tender the market maintained its bid at £99 12s. 2d. per cent for the fifth week in succession. The offer remained at £240 million, but total applications fell by £16.6 million, so that the market's allotment rose from 39 to 46 per cent. At yesterday's tender the offer was raised to £250 million.

Business in the London gold market was inactive in the week covered by the Bank return, and the price at the fixing fell from 248s. 11½d. per fine ounce on Thursday of last week to 248s. 10d. on Wednesday last.

The Bank return shows the first post-holiday influx of notes, of £21.4 million. Government securities in the banking department fell by £39.8 million, but £8.5 million of this was merely the counterpart of a fall in the Treasury special account. Bankers' deposits fell by £2.9 million.

LONDON MONEY RATES

	%		%
Bank rate (from 5½%, 13/5/54)	3	**Discount rates** Bank bills: 60 days	1 7/16
Deposit rates (max)		3 months	1 7/16
Banks	1½	4 months	1½
Discount houses	1¼	6 months	1⅝
Money—Day-to-day	1½–1⅝	Fine trade bills:	
Short periods	1½–1⅝	3 months	2⅛–3
Treas. bills 2 months	1⅝	4 months	2⅛–3⅛
3 months	1 13/16	6 months	3 –4

BANK OF ENGLAND RETURNS

(£ million)

	1953 Aug. 12	1954 Aug. 4	1954 Aug. 11
Issue Department:			
Notes in circulation	1,579·5	1,716·9	1,695·5
Notes in banking dept.	45·9	33·4	54·9
Govt. debt and securities*	1,620·7	1,746·3	1,746·3
Other securities	0·8	0·7	0·7
Gold coin and bullion	2·9	3·4	3·4
Banking Department:			
Deposits:			
Public accounts	11·4	15·3	13·7
Treasury special account	26·8	10·2	1·7
Bankers	273·9	273·7	270·8
Others	65·1	67·0	63·2
Total	377·2	366·2	349·4
Securities:			
Government	316·9	329·4	289·8
Discounts and advances	7·3	5·8	7·6
Other	23·1	13·7	13·6
Total	347·3	348·9	310·8
Banking department reserve	48·3	35·7	57·1
"Proportion"	% 12·8	% 9·7	% 16·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,725 million to £1,750 million on July 28, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied For	Allotted	Average Rate of Allotment s. d.	Allotted at Max. Rate* %
1953 Aug. 7	260·0	369·6	260·0	47 3·50	56
1954 May 7	240·0	406·6	240·0	40 10·84	42
" 14	260·0	391·7	260·0	34 1·75	60
" 21	270·0	400·7	270·0	34 3·24	54
" 28	270·0	426·8	270·0	34 3·33	49
June 4	270·0	414·3	250·0	32 11·61	68
" 11	260·0	418·3	250·0	32 5·56	67
" 18	260·0	400·4	250·0	31 7·67	66
" 25	260·0	426·0	260·0	32 1·48	38
July 2	270·0	384·0	270·0	32 3·41	60
" 9	270·0	396·2	250·0	31 3·90	65
" 16	240·0	453·1	240·0	31 2·27	
" 23	250·0	423·1	250·0	31 2·52	
" 30	240·0	414·2	240·0	31 2·80	
Aug. 6	240·0	397·6	240·0	31 3·09	4

* On August 6th tenders for 91 day bills at £99 12s. secured about 46 per cent of the sum applied for; all tenders were allotted in full. The offering yesterday was a maximum amount of £250 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates August 11	Market Rates: Spot August 5	August 6	August 7	August 9	August
United States $	2·78-2·82	2·81⅜–2·81⅝	2·81⅜–2·81⅝	2·81⅜–2·81⅝	2·81⅜–2·81⅝	2·81⅜–
Canadian $	...	2·73⅛–2·73⅜	2·73⅛–2·73⅜	2·73⅛–2·73⅜	2·73⅛–2·73⅜	2·73⅛–
French Fr.	972·65-987·35	983¾–984	984–984¼	984¼–984⅝	983¾–983⅞	982⅝
Swiss Fr.	12·15⅛–12·33⅛	12·20½–12·20¾	12·20¾–12·20⅞	12·20⅝–12·20⅞	12·20–12·20⅛	12·19⅞
Belgian Fr.	138·95-141·05	139·95–140·00	140·00–140·05	140·00–140·05	140·00–140·05	140·00
Dutch Gld.	10·56-10·72	10·62½–10·62¾	10·62½–10·62¾	10·62½–10·62¾	10·62–10·62½	10·61¼–
W. Ger. D-Mk.	11·67⅛–11·84⅛	11·71⅛–11·72⅛	11·72⅛–11·72⅜	11·72⅛–11·72⅜	11·72–11·72⅛	11·71⅛
Portuguese Esc.	79·90-81·10	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90
Swedish Kr.	14·37⅛–14·59⅛	14·51½–14·52	14·52–14·52½	14·52–14·52½	14·51½–14·51¾	14·51½
Danish Kr.	19·19½–19·48½	19·41–19·41¼	19·41–19·41¼	19·41–19·41¼	19·41–19·41¼	19·41–
Norwegian Kr.	19·85-20·15	20·01–20·01¼	20·01–20·01¼	20·01–20·01¼	20·01–20·01¼	20·01–20·01
One Month Forward Rates						
United States $		½c. pm–par	¼c. pm–par	¼c. pm–par	¼c. pm–par	¼c. pm–par
Canadian $		⅛ dis	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm
French Fr.		½c. pm–par	5–15 dis	5–15 dis	5–10 dis	5–10 dis
Swiss Fr.		¼ pm–½ dis	½c. pm–par	½c. pm–par	½c. pm–par	½c. pm–par
Belgian Fr.		½–¾c. pm	¼ pm–½ dis	¼ pm–½ dis	¼ pm–½ dis	¼ pm–½ dis
Dutch Gld.		½c. pm	½–¾c. pm	½–¾c. pm	½–¾c. pm	½–¾c. pm
W. Ger. D-Mk.		½pf. pm–½pf. dis	½pf. pm–½pf. dis	½pf. pm–½pf. dis	½pf. pm–½pf. dis	½pf. pm–½pf. dis
Swedish Kr.		1½–1⅝ pm	1½–1⅝ pm	1½–1⅝ pm	1½–1⅝ pm	1½–1⅝ pm
Danish Kr.		2–6o dis	2–6o dis	2–6o dis	2–6o dis	2–6o dis
Norwegian Kr.		15 pm–15 dis	15 pm–15 dis	15 pm–15 dis	15 pm–15 dis	15 pm–15 dis
Gold Price at Fixing						
Price (s. d. per fine oz.)		248/11½	248/11½	...	248/11½	248/10½

COMPANY MEETINGS

W. H. SMITH AND SON (HOLDINGS), LIMITED

ANOTHER SUCCESSFUL YEAR'S TRADING

THE HON DAVID J. SMITH'S REVIEW OF PROGRESS

The fifth annual general meeting of W. H. Smith and Son (Holdings), Limited, was held on August 6th at the Registered Office of the Company, Strand House, Portugal Street, London, W.C.2.

The Hon David John Smith (the chairman) presided, and the following is his statement, which was circulated with the report and accounts:

I am pleased to be able to report to you that the group has enjoyed another successful year's trading. Sales on both the wholesale and retail sides of the business showed a satisfactory increase. However, additional costs, mainly in salaries, wages and transportation, very largely absorbed the increase in the gross profit.

WHOLESALE TRADE

We now have 41 main wholesale houses and 33 sub houses and depots. They cover most of England and Wales, with the exception of South and South-East England, and constitute a valuable part of the business. As a group they play an important role in the daily task of distributing newspapers, periodicals and magazines, besides doing a large trade in books, stationery, toys and fancy goods. We are grateful to our trade customers for their continued and growing support. We hope this year to start on the rebuilding of Birmingham and Hull Wholesale Houses, the one badly damaged and the other destroyed during the war. Plans are in hand to rehouse our wholesale businesses at Plymouth and Coventry, both of which were destroyed by enemy action and have since carried on in temporary premises.

RETAIL SHOPS

We added two new businesses to our number during the year by the acquisition of shops in Horsham and Barry Docks. Our Canterbury shop moved back in May into new premises built on the site of the old shop destroyed by enemy action. We have rebuilt or rehoused almost all of our properties damaged or destroyed during the war, with the exception of our Coventry and Preston shops. The reconstruction of these is now taking place.

The programme for refitting and modernisation of shops continues each year and examples of the progress we have been making new fronts and fittings in Sloane Square and Oxford Street.

BOOKSTALLS

The negotiations with the London Transport Executive were concluded during the year, resulting in a renewal of the contract on satisfactory terms for a period of 21 years. This contract concerns the bookstalls on the underground system of London.

Our bookstalls can be found not only on railway stations but also at the principal airports in London and the provinces and at some well-known London hotels and terminals.

OVERSEAS BUSINESS

During last year we sent a representative on an extended tour of the Middle and Far East, primarily to visit our trade customers, and were very pleased with the reception he received and with the new business which resulted.

This past year has seen the first step in the physical expansion of our Canadian business since 1950 when our first retail shop was opened in Toronto. We have now agreed to purchase the bookshop business of Burtons, Limited, and, as a result, will, by the end of this present financial year, have a shop in each of the thriving cities of Montreal and Ottawa. We take over control of the Ottawa shop in September and of the Montreal shop next March, and for the time being shall retain the Burton name for these two businesses.

The amalgamation of these two businesses with that already under our control in Toronto will result in a substantial stake in Canada and should materially improve in the future the operating results of your Canadian subsidiary, which to date, although making good progress for an entirely new business, has not yet shown a profit.

HAMBLEDEN ESTATES

The balance sheet reflects certain changes in the group's financial structure as during the year this was simplified by the liquidation of Hambleden Estates, Limited, the subsidiary company which held the greater part of the group's freehold and leasehold properties. The original reasons for the existence of this company and for the segregation in it of the group's properties had ceased to exist and your directors feel satisfied that with its disappearance, the transfer of its freehold and leasehold properties to W. H. Smith and Son, Limited, and the replacement of its preference shares and debenture stocks by preference shares and debenture stock of your company, any future financing of the group will be much more flexible.

ACCOUNTS

The accounts of the group this year are presented in a different form from previous years, in that the figures of W. H. Smith and Son (Holdings), Limited, have been included in the consolidated balance sheet and profit and loss account with those of W. H. Smith and Son, Limited, and its subsidiary companies. The figures of the previous year have been adjusted so as to be shown on a comparable basis. The most important of these adjustments relates to the item described as "premiums at which shares in subsidiary companies are held and goodwill, patents and trade marks, at cost less amounts written off." This item, which was shown in the consolidated accounts of W. H. Smith and Son, Limited, and its subsidiary companies at March 28, 1953, at £140,104, has had to be adjusted as at that date to £2,372,024. Taking into account the net addition to the total during the year reflecting the acquisition of new businesses and the amounts written off, it now stands at £2,379,763. Apart from the valuable asset which this figure represents, the valuation of most of our freehold and leasehold properties which we undertook during the year shows that this amount was more than covered by the estimated increase in the value of the properties over the figures at which they stand in the balance sheet.

The profit shown in the consolidated profit and loss account, namely, £1,811,629, before charging taxation, shows an increase of £19,054. The charge for taxation, after taking into account £40,000 provisions for previous periods no longer required, amounts to £1,036,122. The excess profits levy relates to the final accounting period ended December 31, 1953.

After charging taxation, the consolidated net profit for the year is £775,507, of which a total of £442,500 has been transferred to revenue reserves and £16,070 has been added to the balance of profit carried forward. The total net dividends on the preference and ordinary shares of W. H. Smith and Son (Holdings), Limited, amount to £316,937.

In the balance sheet of W. H. Smith and Son (Holdings), Limited, the loan to W. H. Smith and Son, Limited, should be regarded as a permanent investment. The preference shares of Hambleden Estates, Limited, have since been repaid and in next year's balance sheet will disappear and be replaced by an addition of a like sum of £687,500 to the loan to W. H. Smith and Son, Limited.

With regard to the consolidated balance sheet reference should be made to the movements in the reserves which are explained in the notes on the accounts on page 10.

Properties, plant, motor vehicles, fittings, fixtures, etc., have increased during the year by £162,336 after deducting depreciation charges and sales. The gross capital expenditure during the year under these headings amounted to £375,976. The surplus of current assets over current liabilities increased during the year by £479,968.

THE DIVIDEND

We have been a public company for nearly five years, during which time we have paid a dividend at the rate anticipated in the prospectus issued in September, 1949, i.e. 12 per cent. We feel now that we are justified, this year, in paying an additional 2 per cent, making 14 per cent in all for the year.

DIRECTORS

Your board are very sorry to lose Lord Harcourt who has resigned on becoming United Kingdom Financial Adviser in Washington.

In his place, we have been fortunate enough to obtain the services of Mr John Phillimore, a director of Baring Brothers and Company, Limited.

STAFF

The distribution of newspapers in this country is a complicated and highly organised undertaking. It is worth recording here that at all seasons and in all weathers members of the staff are working all through the night and the early morning to make sure that our customers shall be able to read their newspapers before the day's work starts for them. Among the most important of the unrecorded assets is the loyal and efficient work of the staff. To them all I wish to express our appreciation.

PROSPECTS

For each of the past five years the group as a whole has enjoyed an increase in sales. Public demand, the rise in selling prices and physical expansion are important factors contributing to that result. While we look forward to further progress it will come from a more competitive retail world as a result of the end of all rationing, and may therefore well be of smaller proportions.

If our trade continues at its present level the group should enjoy another satisfactory year.

The report and accounts were adopted.

JOHN THOMPSON LIMITED

(Steam Power Plant and General Engineers)

INCREASED OUTPUT

MR EDWARD W. THOMPSON'S REVIEW

The nineteenth ordinary general meeting of John Thompson Limited was held on August 11th at Ettingshall, Wolverhampton, Mr Edward W. Thompson, MA, JP (chairman and managing director), presiding.

The following is an extract from his circulated statement:

The net profits for the year 1953 after paying £769,940 for taxation and providing £232,441 for depreciation are £413,168. This figure is the highest in the long history of your company and compares with £381,158 for 1952. The gross trading profits of the group are £1,472,760 comparing with £1,343,729 for 1952. The reason for the comparatively small increase in the net profit is, of course, due to the fact that taxation has again increased over the previous year by over £59,000, whilst we considered it necessary to increase the depreciation provision by over £35,000.

The total output invoiced over the whole group for the year amounted to £14,421,005 compared with £12,901,320 for 1952. It is interesting to note that the corresponding figure for 1936, when the public company was formed, was £1,708,000.

The total assets include no less than £5,337,050, representing stock-in-trade and work-in-progress (less progress payments which compares with £4,787,055 for the previous year). The total net assets after deducting appropriate liabilities were £5,308,532 compared with £4,833,003 at the end of 1952.

Your directors are recommending that the same final dividend of 12½ per cent be again paid on the issued ordinary capital.

NEW CAPITAL

In my report last year I explained how our liquid cash resources had been reduced. With the expansion of our business the figure for stock-in-trade and work-in-progress continues to rise, and during six years the increase is over £4 million to the present total of £5,337,050.

Heavy taxation and essential capital expenditure also add to the difficulties of maintaining liquid cash. Coupled with this problem two opportunities have arisen of acquiring other interests which your board believe will be to the advantage of your company. These are, firstly, the purchase of the whole of BVC Industrial Constructions Limited, and, secondly, the purchase of a controlling interest in E. Leonard & Sons Limited of London, Ontario, Canada.

Your board felt it was prudent in present circumstances to raise additional capital this year, both to cover these purchases and also to augment the working capital of the John Thompson group of companies generally. It has been decided to issue 1,146,599 new ordinary shares of 5s. each at a price of 15s. per share; these shares to be offered to existing ordinary stockholders of the company in the proportion of one new share for every complete three Stock Units of 5s. each held at the close of business on June 22, 1954. In addition your board propose to increase the nominal capital of the company by £1 million (which includes the new shares now to be issued) in order to make full provision for future additions and alterations in the ordinary capital structure of your company as these may become necessary and desirable.

I would like to make some comment on the general question of "profits" on which there has been so much misleading propaganda, adverse criticism and misguided thought. To survive at all, a company must make profits, and they are the only true indication of its efficiency. The National Revenue is the first and greatest beneficiary from all gross profits, and the country would be in a very sad position if there were a serious decline in the profits of industry generally, as taxes on industrial profits provide approximately 40 per cent of the total National Revenue from direct taxation. I think industry as a whole, with very few exceptions, is endeavouring to increase its efficiency so as to maintain and increase its profits—this certainly is the case with your own company—therefore if increased profits do result they should be welcomed, not criticised.

FUTURE PROSPECTS

It is unwise to make anything other than a cautious forecast. All I propose to say is that the output of our group of companies for the first three months of the year showed an increase of 13½ per cent over that for the corresponding period last year, and at the present time this rate of production is being maintained.

During a period in 1953 we noticed a slight falling off in orders, but this has since righted itself; and while our orders on hand uninvoiced are not quite as large as at this time last year, they still stand at over 36½ million pounds in spite of the increased output during 1953 and onwards.

Our various group companies are very active, and as a result of the large expenditure on improving plant and production methods they are in a strong position to meet competition.

While our direct exports during 1953 showed a very slight reduction of 1½ per cent compared with 1952, this was largely due to the increasing demands for local manufacture of sub-contracts for our main overseas contracts. It may be interesting to point out the dependence of this company on overseas trade; taking our direct exports, plus indirect exports and plus the trade of our overseas companies, the total figure represents nearly 50 per cent of our total output of 14½ million pounds.

The report was adopted.

EDGAR ALLEN & CO., LIMITED

MR W. H. HIGGINBOTHAM'S REVIEW

The fifty-fifth annual general meeting of Edgar Allen & Co., Limited, was held on August 12th at Sheffield.

Mr W. H. Higginbotham, FSAA, FSS, chairman, in the course of his speech, said:

The results of the company's trading during the year ended April 3rd last, suffer—like those of the preceding year—by comparison with the remarkable records of turnover and profits set up in the year 1951-52; but closer investigation of the accounts, and of their background of trading conditions, discloses some encouraging features, and leads to the conclusion that in view of all the circumstances the results are not unsatisfactory.

DIVERSITY OF ACTIVITIES

The company's business is very diversified; it falls roughly into three groups: (a) steels, tools and magnets; (b) steel castings and (c) engineering and trackwork. This diversity (as we know from long experience) has its advantages; it brings us into contact with a wide range of industrial activities, at home and abroad, and thereby ensures us to a large extent against the effects of local or sectional trade depression. But this insurance is by no means a complete indemnity against the effects of a reduction in the activity, or in the ratio of profit to turnover, of any group or department; and it is quite possible for the profits arising from successful trading operations in one sector to be offset, in greater or less degree, by decline in the contribution made by another.

It is apparent that although in group (a) turnover—and, given suitable conditions, profits also—may be expanded much more rapidly, there are correspondingly greater risks of fluctuation in volume and value of turnover, and of losses on realisation of stocks in the event of prices falling.

Although in the steel castings trade as a whole there is a falling off in orders, and productive capacity has overtaken demand, we have secured our share of the business available. Our engineering department has had a record turnover this year; it still has very substantial contracts in progress, and other valuable business in view; but foreign competition (apparently subsidised) is exceptionally keen in the export field (as we have good reason to know), and profit margins tend to be lower. The trackwork department is also very active; its sales of axle-box liners are still expanding, and have extended further into overseas markets.

THE FUTURE

To forecast the future is never usually unwise. There is still a satisfied demand for our types of be met; there is also far more petition, and the recurrence of increases in wages is discouragir books, though lower in some s year ago, are still good; and a of orders is reduced, deliveries a On the showing of the current it seems reasonable to expect re as favourable in 1954-55 as u. before you now show.

Although we are grateful to the C. of the Exchequer for his concessions this with respect to allowance of tax on expenditure on machinery and plant, and for the cessation of the politically inspired exc profits levy, they are in themselves a re nition that taxation of the profits of in still remains at a dangerously high lev must be reduced in the national inter

The report and accounts were adopte

THE INDEPENDENT TELEVISION AUTHORITY

The Independent Television Authority invites applications for the post of DIRECTOR GENERAL.—Applications should be addressed to the Chairman, c/o Postmaster General, G.P.O. Headquarters, London, E.C.1.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

(UNIVERSITY OF LONDON)

Applications are invited for appointment in October, 1954, or as soon thereafter as possible, to Assistant Lectureships in Economic History with special reference to England since 1750. In the case of one post, ability to assist in the teaching of the Economic History of the U.S.A. would be a qualification. Salary scale £500 x £50—£600 per annum with superannuation benefits and family allowances. In assessing the starting salary, due consideration will be given to age and experience.

Applications, with the names of three referees, should be forwarded not later than September 6, 1954, to the Secretary, London School of Economics, Houghton Street, Aldwych, W.C.2, from whom further particulars may be obtained.

THE UNIVERSITY OF LIVERPOOL

Applications are invited for the following Fellowships:—

(i) One Leverhulme Post-Graduate Fellowship in the Faculty of Arts, tenable for one year at a value of £500, renewable for a second year at a value of £550.

(ii) Three University Fellowships in Arts, tenable for one year at a value of £350, renewable for a further year.

Applications, stating age, whether National Service requirements have been fulfilled, details of qualifications and experience, research work in progress and completed, and an outline of the proposed field of research, together with the names of two referees, should be received not later than September 1, 1954, by the undersigned, from whom further particulars may be obtained.

STANLEY DUMBELL, Registrar.

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THE GLACIER METAL CO., LTD., invites applications for the head office appointment of a General Manager (Sales). The company manufactures a wide range of plain engine bearings and standard products, employing approximately 2,500 in factories situated in London, Manchester and Scotland. The G.M.S. will be directly responsible to the Managing Director for organising, maintaining and developing the sales activities of the company. He will be responsible for working out sales policy and for customer contact. He will need to maintain effective relationships with the general managers for manufacturing and technical development. He will have as immediate subordinates technical and export specialists, representatives responsible for large customers and a sales manager, who has subordinate to him representatives for geographical areas. He will also be responsible for advertising.

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THE UNITED STEEL COMPANIES, LIMITED invite applications from mathematical statisticians for a post as Assistant in the Mathematics Section of the Research and Development Department. The candidate should possess a good honours degree in statistics or mathematics and should have an interest in the application of statistical techniques to industrial problems. Research or industrial experience desirable but not essential. Salary will depend on qualifications and experience.

Apply, Assistant Director of Research, The United Steel Companies, Ltd., Swinden Laboratories, Moorgate, Rotherham.

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Applications, with the names of three referees, should be received not later than September 6, 1954, by the Secretary, London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2, from whom further particulars may be obtained.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of Assistant Grade II (salary £450-£550 p.a.) in the Research Section of the Faculty of Economic and Social Studies. The appointment is for research into the process of innovation in industry, and applications will be considered from graduates in Economics, Political Science, History or Sociology. Applications should be sent not later than September 15, 1954, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

BRAZIL

Commercial, manufacturing and financial information. Enquiries invited.—Littlejohn & Co., Ltd., Caixa Postal 7352, Sao Paulo, Brazil.

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THE WESTERN REGIONAL PRODUCTION DEVELOPMENT BOARD, NIGERIA, invites applications for the post of CIVIL ENGINEER. Applicants must have had at least 15 years' experience and have had charge of a large constructional department and must be an A.M.I.C.E. or a B.Sc. (Civil Engineering). The duties of the post will include supervision of all the Board's civil engineering and constructional programmes such as road construction and tarring, office block, technical college, housing schemes, etc., preparation of tender forms and contract documents and so on, and general departmental administration. Experience of large scale land surveys will be an additional advantage.

The salary will be in the range of £1,850-£2,000 depending on qualifications and experience. The terms of service include free, partly furnished accommodation; contributing Provident Fund of up to 10 per cent of salary; free medical service for officer and wife; free passages or child allowance of £75 per annum each in lieu for up to two children; free first-class sea or air passages for officer and wife; facilities for purchase of motor car.

Applications should be submitted to reach The Nigeria Office, 5 Buckingham Gate, London, S.W.1, not later than August 31, 1954.

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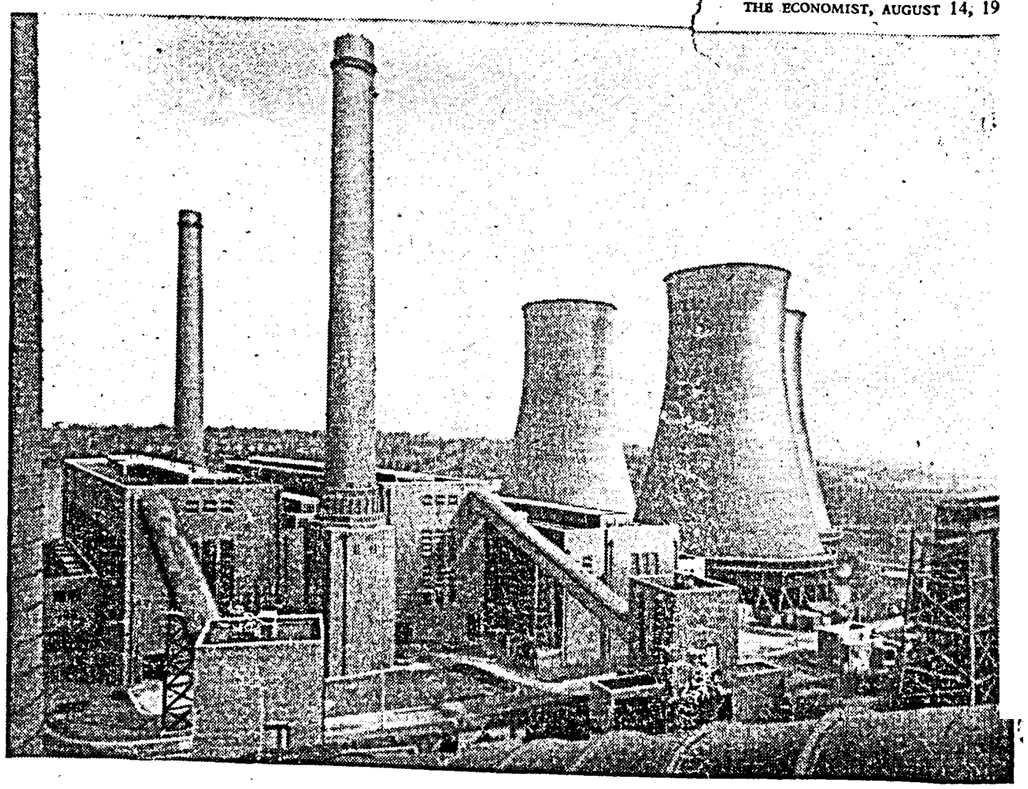
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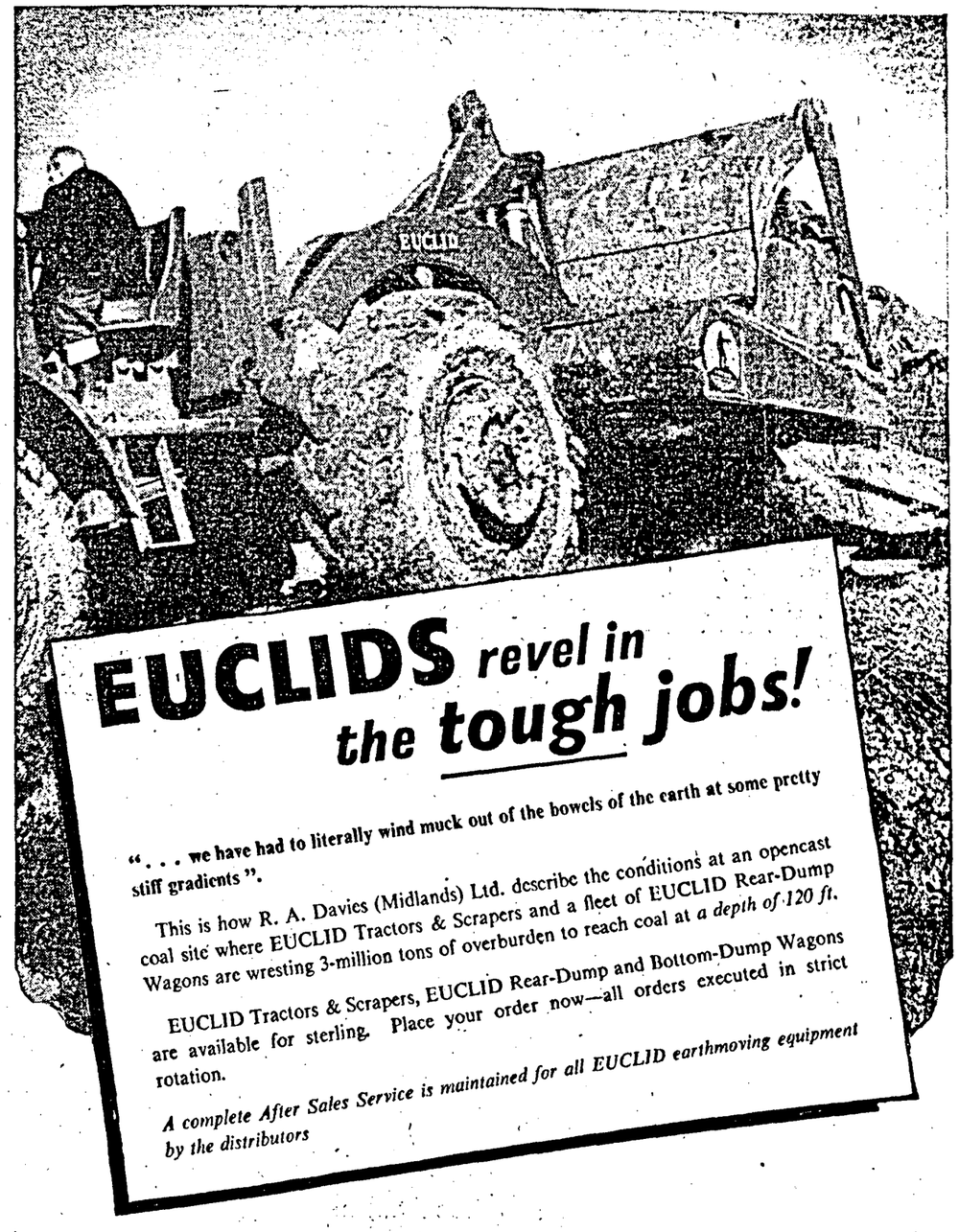
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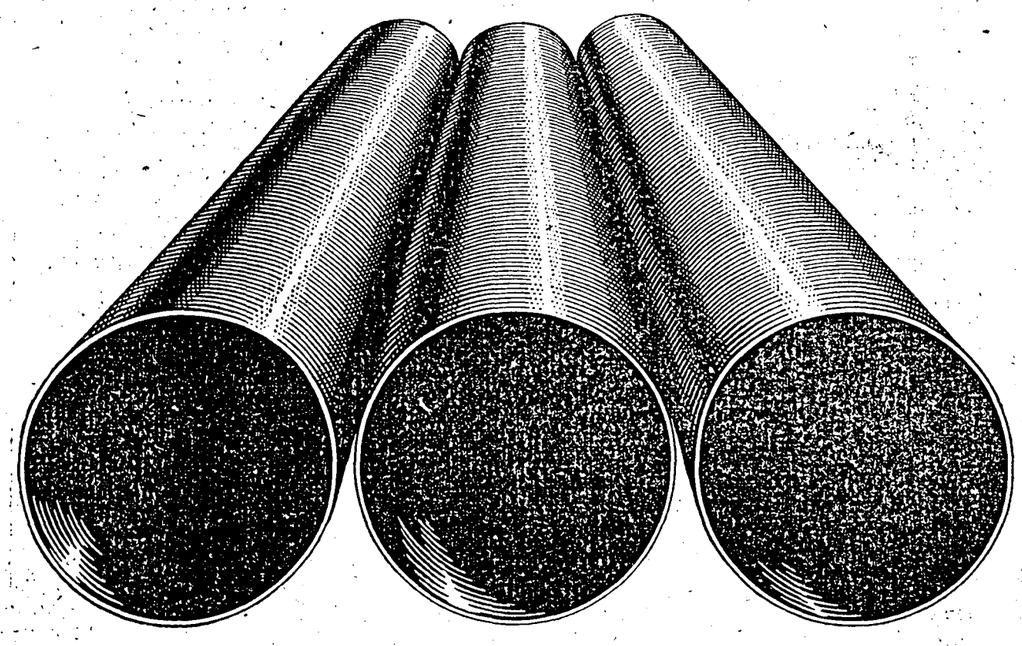
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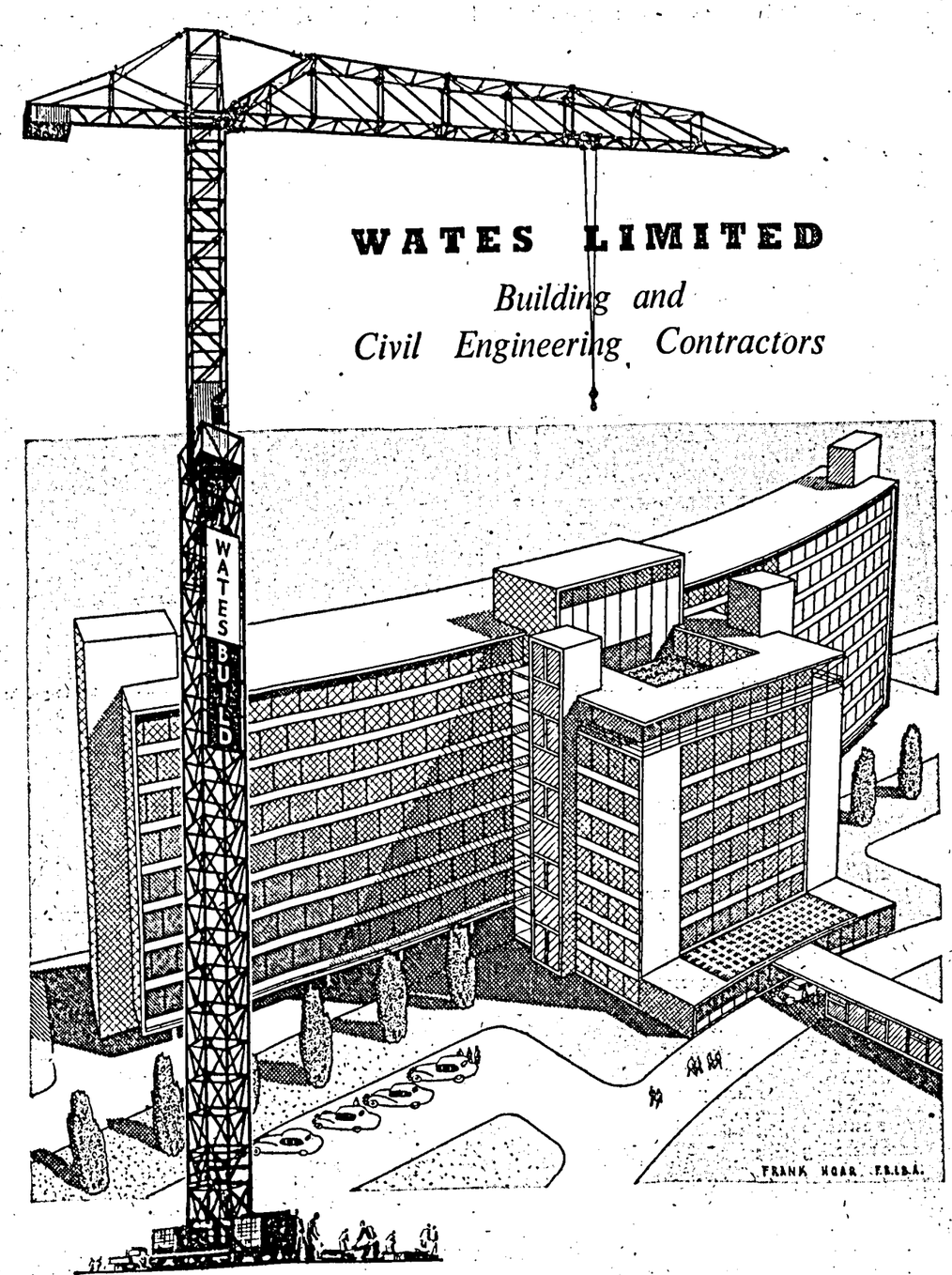
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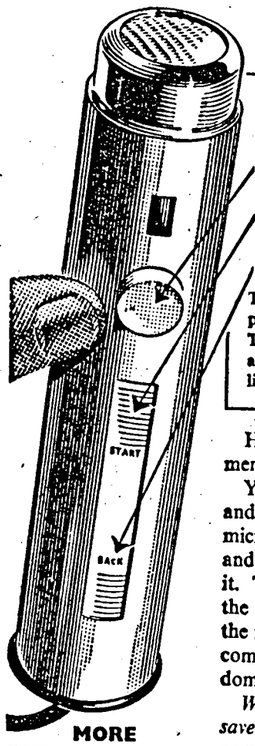
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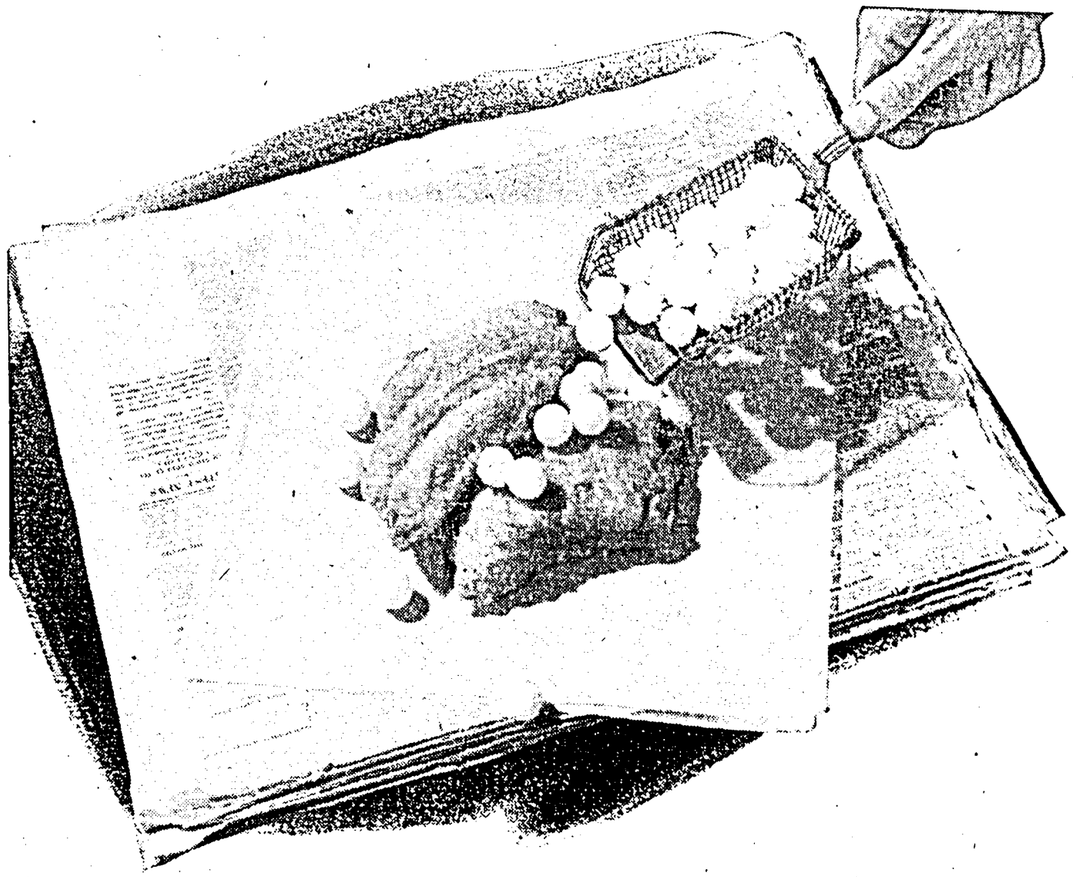
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New Ventures at Bristol 566

NOTES OF THE WEEK

With Molotov in the Wings; Banquo's Ghost in Peking; Full Circle on the Railways; Meat in a Muddle; Keeping Out the Bacon; Relief Across the Curtain; Anticlimax in Goa; Uphill Prospect in Iran; Colourless Call; A Ministry for Consumers?; Strike with a Silver Lining; Europe and the Recession; Bullets in Brazil; Finding the Nurses; Two Voices from Africa; Heavy Weather. 568

LETTERS TO THE EDITOR . . . 577
BOOKS AND PUBLICATIONS . . 578

AMERICAN SURVEY

The Morning After Geneva . . . 583

Making Capital Out of Communists; Burying the Recession; Atoms for All; Good Will or Bad?; Debt's Repeat Performance; Crossed Party Lines; Hotel Empire.

THE WORLD OVERSEAS

Across the Sea from China . . . 589

M. Mendès-France's Economic Task; Russia's New Granary; A Smaller Greek Army; Mythical States in Indo-China; Australia Looks to its Defence.

THE BUSINESS WORLD

The Price of Drugs 597
Britain in the Export Race . . . 599
The Gilt on the Lily 601

BUSINESS NOTES

More Seasonable Markets; Sterling Sags and Bill Rates Rise; Unexplained and Inexplicable; Data from Distillers; Trade Deficit Halved; More Steel Offers; Free Scrip from Cunard; Peak Output of Sulphuric Acid; Brazil Dodges the Issue; Automatic Transmission for the Small Car?; Oil in the Steel Industry; Fifty-Eighth Variety; Hopes from Greece; Frozen Foods; Coarse Grains Rising; Shorter Notes. 603

COMPANY NOTES AND SECURITY PRICES 614
STATISTICS 617

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Needless Scarecrow

THE Labour party has run into a strange and baffling dilemma in the formation of its economic policy. It is a dilemma that only the party's economists have recognised as yet; but the others will have to turn round to face it soon. They would be wise to do so now, for it is important to them that next month's conference at Scarborough should not commit the party to any new shibboleths that will prove to be awkward when it comes to putting them into practice.

The root of the problem is that the party's thinkers now admit that public "confidence" is, after all, an important factor in preserving prosperity. If the trading community—not merely the tycoons of Big Business but the rank-and-file of the trading and purchasing public—thinks that business is going to be good or that sterling is going to be strong, then business probably will be good and sterling probably will be strong. Certainly the obverse of the same statement is true—unless there is widespread business confidence there cannot be any prosperity. In other words, prosperity cannot be planned by the back room boys. What has forced this admission—the plainest statement of it was in a recent article by Dr Thomas Balogh, the Bevanites' *éminence grise*—is the course of events in the last two years, which defies explanation by any other thesis. By rights, the United States ought now to be in a deep depression; the fact that it is not can be explained only by the persistent refusal of the American public to accept the diagnosis. Similarly, the inflow of foreign capital to Britain's gold reserve or the re-birth of private savings cannot be explained in planners' terms but only as phenomena of an improved public psychology.

These demonstrations are clearly going to have a deep effect on the whole trend of economic thought. They may well force a reaction against the mechanistic model-building, the equation-hawking, of recent years. Economics may even become a human study once again. But for the moment the political implications are even more interesting. For candour compels the Labour party to admit that it is not very good at creating business confidence. It spends so much of its time making grimaces at capitalists and business administrators of all kinds that they tend to get nervous when it is in office. This scarecrow effect could be much more serious in Labour's next period of office than in its last one, because the crows will find it much easier to take wing. Labour came to power in 1945 at a time when the great majority of Britain's imports were bought on government account, and when the allocation, rationing and exchange controls that had been built up during the war gave it draconian powers to prevent a run on the exchanges and on scarce supplies of imported goods; even when it left office more than 50 per cent of Britain's imports were still being bought by government departments, and the rest of the economy was little more than half-free. But today all the great commodity imports have been returned to private hands, the rationing and allocation structures have been torn down, and exchange

controls are much looser than they were three years ago. There is therefore a haunting fear in the Labour party that in the first few days after its next return to power there might be a rush to buy imported goods and to send capital out of the country, that millions of pounds might slide out of the country down the merchants' and bankers' ramp. The Tory election cry that a return to Labour rule would mean a return to economic crisis would seem to be confirmed.

The Labour intellectuals who have thought their dilemma through to this point have so far attempted only one answer. This answer—Mr Strachey set it down in a much-quoted article in the *New Statesman* six months ago—is that the party must be ready to restore the most stringent controls within a few hours of returning to office. Mr Strachey himself made it clear that he did not like this prospect; and other members of his party have made it even clearer that they did not like his brandishing it in a scared electorate's face. But—and this is the next stage in Labour's dilemma—both Mr Strachey and his critics have missed the main point. The real trouble about a policy of dashing from freedom is not that it would be uneconomic and unpopular (although it undoubtedly would be). The real trouble is that it would be impossible to implement.

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It would be impossible because so much would have to be done so quickly in such unpropitious circumstances. The principal lesson that Labour ex-Ministers should have learned from their own experiences in 1945-51 is surely that hasty or half-measures never work. Hasty new restrictions on private imports have little (or else a long-delayed) effect on expenditure of foreign exchange, although a cut in overseas purchases by Government departments can sometimes be implemented more quickly. Hasty schemes of internal allocation and rationing never work, although order can sometimes be created out of chaos if very full information is collected about the pattern of demand and if private distributors and trade associations can be persuaded to co-operate with their warders. The so-called controlled economy of 1945-51 was an economy that limped along because it had been built up in the very different conditions of wartime and stood ready to the Labour ministers' hands when they came into office. They were also helped by the fact that the Ministries held a strong bargaining position as sole purchasers of many important raw materials, and because private industry, in the immediate aftermath of war, was willing to co-operate or at least ready to be cajoled.

There can be some argument about whether this complex system could ever be re-established in peacetime, in the teeth of the suspicion that co-operation was being demanded—and the cajolement exerted—for party instead of national ends. But there can be no argument at all that it could be re-established quickly. With the worst will in the world, Labour could not hope to close down the commodity markets, re-discover and re-instate the committees and civil servants who used to run the allocation schemes, turn public libraries back into food offices, call together the trade associations to discuss how a noose of new allocation controls could be tied round their necks, and slam down the hatches at the exchange control department at the Bank of England—all in the trice that it takes the international trading community to say "flee from sterling." And if Labour tried to do even one half of these things, the cry "flee from sterling" would reverberate insistently and speedily.

It is probable, indeed, that there are only two measures that a Labour Government could take if it was faced by a crisis of confidence as soon as it returned to power. One would be to depreciate the exchange rate, thus causing an increase in the internal price of food; the other would be to raise Bank rate to a crisis level, possibly creating unemployment thereby. If Labour insists on proclaiming itself as the party that will soak the rich and bring back the controls, it will find itself landed with dear food and dear money.

This is the dilemma. There is only one way out of it, and that is to avoid having a crisis of confidence in the first place. But that would require the party to set about reassuring the business community and wooing its confidence. It would involve Labour speakers, from both wings of the party, in declaring that, while they remained socialists, they would do nothing doctrinaire or vindictive or ill-considered. And in its present mood the party is wholly unprepared to preach anything of the sort. So there arises the peculiar phenomenon of a party clinging to an attitude which it admits may well provoke an economic crisis, which in turn may well be fatal to the party.

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What is the explanation of such strange suicidal tendencies? Partly it is the old habit of proclaiming the slogans of the class war, without really meaning them. Partly it is the fruit of the compost heap of sheer malicious envy that some Labour leaders have built up in recent years—again perhaps without fully meaning it. But mainly it is because of a simple piece of intellectual confusion. The one objective that the Labour party can never abandon, that it never should abandon, is that of raising the standard of living of the poor. And it has persuaded itself in recent years into the belief that the only way to do that is to take wealth away from the prosperous and give it to "the workers." Raising the standard of living and reducing the inequality of wealth are spoken of in Labour circles as if they were inseparable and identical. And since the objective of abolishing poverty cannot be abandoned, neither can that of being beastly to the possessors, managers and creators of wealth, however many crises may be induced in the process.

But, of course, there is no identity at all between the two. Indeed, there is a strong contradiction between them. Save in the quite peculiar circumstances of wartime, any attempt to make a large and rapid transfer of a slice of the national income from one class to another would be almost certain to reduce the total national income. Save again, in the peculiar circumstances of wartime, the periods and countries in which the standard of living of the workers has risen most rapidly have been the periods and countries in which the profits of enterprise have also been rising most rapidly. There is no need for a Labour dilemma at all; for the choice is not between social progress with a crisis and social stagnation without it, it is a choice between another bout of levelling down with a crisis and rising prosperity with social reconciliation.

Is it too much to hope that the new-found admission of the importance of confidence should lead the Labour thinkers to a realisation of this simple truth? The changes that would be needed to forsake the role of scarecrow are much more changes of posture than of specific policy. The domestic policy outlined in "Challenge to Britain"—or at any rate those parts of it that Labour would actually try to implement—are not very inspiring; but they are also not very frightening. They are merely being made to appear so by intermittent cries of envy, and calls for more controls, and yelped assurances that this mixture is something very different (and very much nastier for the rich) than the successful policy that the Tories have been lucky enough to pursue. It is not at all clear why Labour should insist that it is opposed to that part of Tory rule that has worked, instead of to those parts that have limped. It is not at all clear why the party should so obstinately misunderstand the criticisms that are made of it and lump all its critics together as enemies of the poor; what many of them complain about is not that Labour wants to do too much for the poor but that its methods condemn it to doing too little. Why cannot Labour lift its eyes to see the opportunity for a policy of national expansion that lies before it? More people than the party tacticians dream of are waiting anxiously—and a little desperately—today for a progressive party instead of a scarecrow, and for the re-emergence of a generous, idealist and dynamic Left.

Nothing but the Treaty?

THERE is a certain air of effrontery about the mission that takes the French Prime Minister to Brussels this weekend. He is asking the governments of Belgium, Holland, Italy, Luxemburg and the Federal German Republic to revise the treaty for a European defence community on which they, or their predecessors, agreed over two years ago. He proposes some sixty objections and amendments of the kind that their spokesmen have wrestled with and overcome in their own countries and parliaments, without even being able to give any hard and fast assurance that these changes will satisfy his own cabinet or the National Assembly. To men like Dr Adenauer and M. Spaak, who have stood for many months waiting to plunge into European integration at the deep end, it is exasperating to be invited at this late hour to do no more than step down timidly into the shallow end. And the prospect of having again to spend weeks in persuading parliaments to approve is frankly intolerable.

Fortunately for French prestige, M. Mendès-France cannot himself be blamed for his nation's hesitations. Indeed, he can claim that he is trying to bring them to an end by what seems to him the only possible methods. It can also be pleaded on his behalf that if he is not allowed to present a modified EDC to the National Assembly then no other statesman will be found to present the treaty in its present form. It can even be threatened that the failure of M. Mendès-France would mean the end of EDC, so frustrating not only the rearmament of Germany but also the promised restoration of its sovereignty. As the nucleus and indispensable base of the Atlantic alliance's defence system in Europe, France is in a position—with assistance from Moscow—to cause the United States and Britain the gravest embarrassment if a determined Prime Minister tried to "go it alone."

On the face of it, therefore, there is a case for listening patiently to what M. Mendès-France has to say and for calculating carefully what he can and cannot do. He has acquired a prestige among his countrymen that no other French sponsor of EDC has enjoyed since M. Schuman withdrew from politics. He is offering to do what no predecessor of his has dared to do—to stage a debate on the treaty in parliament on August 28th. He has launched his country on new paths in Indo-China and North Africa which offer fresh hope for the future. He has the power to inject some fresh vigour into the French economy. Is this man of promise then to have hung around his neck the millstone of the EDC treaty, the whole treaty, and nothing but the treaty? Is this to be the reward of courage?

That is how a loyal and reasonable Frenchman might argue in his Prime Minister's favour; but it is an argument in favour of a man at the expense of a policy. And as such it must be countered with the reminder that it is just as important to safeguard the prestige and influence of Dr Adenauer. He, after all, long ago persuaded his parliament to ratify and his countrymen to vote for a European policy that accepts important limits on German sovereignty. It is around this policy that he has rallied moderate German opinion. If it has to be seriously modified and again submitted to parliament in Bonn, there must be a reappraisal of German policy by a discredited Chancellor; and it must be

made in the sultry atmosphere of recrimination and suspicion that has been created by the defection of Dr John and by an intense and widespread anti-German campaign in British and European newspapers. It would be unwise of M. Mendès-France to create a situation in which the United States and Britain would have to choose between Dr Adenauer and himself.

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Why is this so? Why should the French Prime Minister's attitude to EDC inspire less confidence in Washington and London than that of the German Chancellor? It is because M. Mendès-France has to struggle against the feeling of mistrust and disappointment created among allies by his predecessors. How many concessions have been made to French views in the drafting of the EDC treaty, how many guarantees have been given by Britain and the United States, in the belief that these would make ratification possible by an early date? Again, the treaty and the Bonn conventions to which it is linked go far in discrimination against Germany, because this was admitted as necessary to calm French fears. It may be said that the Germans, in view of their past record, ought to give special assurances and accept special restrictions. Well and good; but there is a limit to what a Chancellor can persuade a German parliament to accept, and even that is not accepted unless something valuable is promised in return. That something has been nothing less than equality of status with France and other nations in a freely negotiated integration of Western Europe, of which the European Defence Community, with its supra-national authority, was to be an essential part. It is a fundamental revision of this idea that M. Mendès-France is now said to be proposing.

To criticise his amendments in detail is unfair, for he claims that they have been inadequately reported in the press. But three things are quite clear from what has gone before and from what is now happening within his cabinet. First, France is asking for a long delay in establishing the real authority of the defence community over member governments. Secondly, it wants to insert escape clauses for any French or German government that may wish later to change its mind about European integration, like a woman who accepts betrothal without promising marriage. Thirdly, it is suggesting further safeguards, which amount to further discrimination, against Germany.

M. Mendès-France may sincerely believe, though he cannot promise, that such changes would just win a majority for the Treaty next week-end in the National Assembly; and it is possible that they represent a maximum rather than a minimum demand. But even this maximum may be insufficient to win the Gaullist support he needs. It is difficult, therefore, to see why the Germans at Brussels should be tempted to consider the kind of modifications that the French Prime Minister seems to have in mind; and it is not easy to see what there is in them to attract the Benelux ministers and the Italians.

The probability is, therefore, that France will meet strong opposition at Brussels. The other governments are tired of delay, irritated by the suspicion—right or wrong—that M. Mendès-France is listening to advisers whose real aim is to get Soviet agreement to the unification and neutralisation of Germany, if only the EDC can be held up or abandoned. On the other hand France's partners may find it harder than they now realise to resist the blunt and bustling methods of its new Prime Minister. He has promised, if the treaty is modified, to demand a vote of confidence in the debate that begins at the end of next week, to stand or fall with it—and he believes he will stand. Those who reject his proposals, therefore, expose themselves to the charge that they are prepared to kill the policy of European integration rather than tamper with the authority and balance of the defence community.

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For good Europeans the choice is appallingly difficult, and it may well be determined by their judgment of the strength and sincerity of the man who presents it. But they will seek the advice of the Americans and the British. What should that advice be? Some attempt at compromise with M. Mendès-France should be possible, but it must not endanger three essential points in western policy. The first of these points is that further delay in a decision about EDC is unacceptable; and that means that any changes must be such that the treaty need not be submitted again to national parliaments that have approved it. The second is that, in the attempt to gain France, no risk must be run of losing Western Germany. The third is that the scope and authority of the defence community should be sufficient to make unnecessary in Germany the creation of a powerful defence ministry and general staff.

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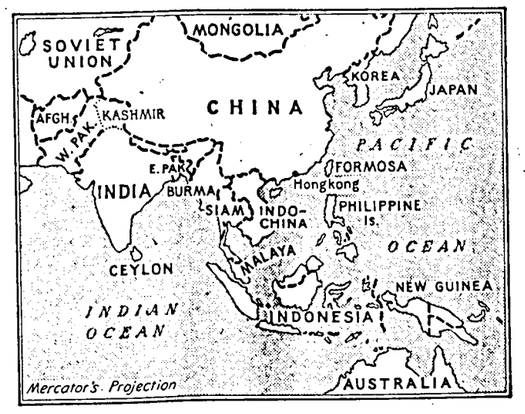
THERE may have been moments when Mr Attlee and his colleagues, treading the red carpets in Peking, have felt that the talks about a defence pact in south-east Asia to be held at Baguio on September 5th will be unwise, even unnecessary. And there are many others, in this country as well as in Asia, who would go further and assert that attempts to create a defence organisation around the southern frontiers of China will do more harm than good. Like the Indians, they will argue that it would prevent a genuine political settlement and would provoke retaliation. (Communists, like Nazis, react violently to encirclement.) The doubters are right in so far as it is certain that China will resist the formation of Seato as vigorously as the Soviet Union has resisted the formation and existence of Nato. None the less the need for a long-term plan to meet Communist pressure in South East Asia is clear beyond doubt. Western policy in that area must take account of military realities as well as of political imponderables.

That is not to say the imponderables are anything but important. Indeed, in some circumstances they could be decisive. No area can be successfully protected if the major countries to be defended refuse to take part in the defence plan, or actively oppose association with the would-be defenders. Most statesmen in free Asia have to think carefully before they interest themselves too closely in American and British military plans; to be too friendly with the West can be a serious liability in political life. For example, the fact that a meeting-place in the Philippines has been chosen for the Seato conference will cause suspicion among many Asians, because it is regarded as the seat of a government that is a puppet of the United States. And they will also notice that only three Asian nations—Pakistan, the Philippines and Siam—are joining Australia, Britain, France, New Zealand and the United States in the talks. The task of this first meeting will therefore be as much to persuade opinion in free Asia of good intentions as to deter the Communists from bad ones.

Similar suspicions have to be allayed in the West. The foundations of this conference had to be laid on the shifting sands of Anglo-American disagreement over Indo-China, and account has to be taken of the fact that Britain opposed the holding of any conference on defence until the Geneva negotiations had been pressed home. If there is to be a treaty it will have to be clearly defensive in character, and if there is to be a treaty organisation it must be competent to work on more than military and security problems. There is reason to think that this is understood in Washington, and that the absentee Asian Governments will be interested in the economic aspect of Seato.

Although Mr Eden has leant over almost too far in his effort to get all five Colombo powers—India, Pakistan, Burma, Indonesia, and Ceylon—to attend the conference, only Pakistan has agreed to do so, and then only on condition that attendance implies no promise of final commitment. Refusal from the other four was expected, but the effort to interest them was worth making, not only because the value of any treaty organisation would have been immeasurably enhanced by the adherence of all the powers in the region, but because their refusal strengthens the hands of the rest in their determination to go ahead.

Agreement will still not be easy, either on the places to be left out of any defence plans or on those to be included. It is reported that, under the tentative draft proposals already drawn up, neither Formosa nor Hong Kong is to be included; and no one has even suggested that Japan should take part. Yet, apart from Siam, no territories are clearer potential targets of Communist expansion. Only this week, Chou En-lai has shocked his admirers by letting out a snarl of rage at Formosa's independence; the winning of Japan is the



logical long-term goal of Russian Far Eastern policy; and Hong Kong has been a cause of anxiety ever since the Communists came to power in Peking nearly five years ago. Such contentious though critical places will no doubt have to be left out. But, if so, it must be understood that, Seato or no Seato, they would not be allowed to go to the Communists by default.

One of the strongest arguments used against any form of defence organisation for South East Asia has been that anyone left out would automatically become a sitting target for attack; any pact must therefore include everyone and, since that seemed impossible, it seemed best to have none at all. Now the case for making a start has been strengthened by the Western powers' lamentable show of division and indecision over Indo-China. There nothing was all right on the night, even though there had been months to rehearse. If a similar

situation is not one day to develop, say, in Siam, there must be precise advance planning.

The next problem is how to define aggression. No Communist army has ever crossed the frontiers of Malaya or Burma, or even of Indo-China, and it is unlikely that open aggression would now be conducted against a country like Siam, which has already put itself virtually under American protection. The favourite Communist weapon is internal subversion, and nowhere has this been more skilfully used than in South-East Asia. But how is it to be countered without the Seato powers themselves being made to look guilty of aggression if they interfere? And how could a Communist seizure of power be dealt with in a vital non-member state—in Indonesia, for instance?

Thirdly, it is already certain that the steps to be taken within Seato both to back any military guarantee and to stimulate political and economic resistance to Communist interference cannot be anything like as definite or detailed as they are in Nato. The forces simply do not exist to provide a network of international and inter-service commands like those that exist in Europe. And a burden-sharing exercise would be nothing but a mockery. At the same time, it will be essential to have some kind of permanent body responsible for intelligence and planning and capable of rapid expansion if Seato is to have any real substance to it.

Lastly, there is the general problem of wrapping up all these points in a treaty which would make a real contribution to the divergent needs of the area as a whole. It must be a tight military agreement without alienating the neutralist Colombo powers; the door must not be slammed against their eventual association with the treaty. It must be a constructive political and economic document which will help governments in their fight against local Communists. And it must commit the non-Asian governments to specific action, without alienating public support in countries with moods as diverse as those in Britain and America, Australia and Pakistan.

The creation of Seato closely affects the basic strategic interests of this country, notably in Malaya. It used to be the British who most wanted a formal guarantee for South East Asia, and the Americans who hung back. Today the roles are reversed. But while the British are right to point out the practical drawbacks and political risks of what is being undertaken, the need remains what it has always been. The Korean war might have been avoided if the aggressor had known for certain that he would be met by force. This is, perhaps, the last opportunity to prepare such a warning for south-east Asia with the support of the United States.

Urban Rides—III

New Ventures at Bristol

BY A SPECIAL CORRESPONDENT

SEVENTY years ago Bristol Corporation stretched out to grasp land and create an outport for the city at the mouth of the Avon. It seemed then that this was the only way that Bristol could survive into the twentieth century—a century which, it was becoming apparent, would have little to do for ships small enough to navigate the narrow and winding Avon up to Bristol. For Bristol's greatness as a city has always depended on its greatness as a port. Indeed, it was second only to London until far into the eighteenth century.

And even today the things that spring to mind most readily at the mention of Bristol—chocolates, cigarettes, bananas, wine—are associated with the import trade. Bristol has always been an importing centre, with special connections with the Americas; but since it has had virtually no industrial hinterland until very recent years, its export trade has been negligible. Most Englishmen have conventional ideas about industrial cities, and have never regarded Bristol as one. But while it has always been far more industrialised than most people have given it credit for, its manufacturers—like those of London—have been varied, mainly concerned with consumer goods, and until recently most of them were connected with the port. The making of chocolates, now carried on just outside the city; of tobacco; of leather and boots and shoes, requiring imported hides; of paper and card, using imported wood pulp—all these draw their raw materials today very largely from abroad, through the quays at Bristol or the docks at Avonmouth. With these characteristics, they have been on the whole stable industries, and Bristol did not experience extreme unemployment in the thirties; but on the whole, too, they have not expanded to provide more employment for Bristol people.

During the last twenty years there has been a dramatic change in this pattern. The change has been associated largely with the settlement on Bristol's outskirts, just before the First World War, of what turned out to be one of the most successful of British aircraft constructors. Like the rest of the industry, this firm expanded out of all recognition during the rearmament of the late thirties, and especially during the war. In the latter part of this period engineering firms sprang up in the city to make components or to do sub-contracting work for it. Employment in connection with aircraft in the Bristol area rose from 4,000 in 1923 and 17,000 in 1939 to a wartime peak of 30,000. This was a staggering figure in a city with an occupied population of under 200,000—even allowing for the fact that some of the aircraft employees came from outside.

Commentators during and immediately after the war were gloomy about Bristol's postwar prospects on this account. Its waggon had been hitched to a star which had been shown, by experience after 1918, to be potentially a falling star of the greatest velocity. Once military demand closed down, Bristol's aircraft industry would sink back, if it was lucky, to the level of the 1920s. What would happen to the thousands of engineers who, immediately before and during the war, had moved into the city and settled down there?

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But the gloomy prognostications were soon upset. And upset not merely by the revival of the military demand, which would simply have postponed their realisation. Bristol is less concerned with military demand than are most aircraft producers. It has concentrated, in the postwar period, on civil aircraft; on a successful line of freighter planes; on the development of a big turbo-prop airliner, the "Britannia," which is now going into large-scale production; and on the development of the helicopter for commercial use—not to mention pre-fab houses and schools of aluminium, originally a wartime hedge against postwar slump, but retained as a permanent line. The result is that the factories that ring Bristol have remained fully occupied; and far from unemployment arising in the industry, great difficulty has arisen recently in attracting sufficient skilled labour to the area for the extended "Britannia" programme.

It remains true that, to the extent that Bristol has become a "one-industry" town, it is more vulnerable than it was twenty years ago—in the sense that a heavy decline in this one industry would, by itself, create an intolerably high level of unemployment in Bristol. And, to the extent that Bristol has created as its chief industry a producer of capital goods, it has become, like the shipbuilding towns of the Tyne, Wear and Tees in the past, liable to take rather more than its share of the burden of cyclical downswings, instead of, as in the past, bearing rather less. But it is not, as were the aircraft firms of the twenties, almost entirely at the mercy of arbitrary changes in government policy on arms production.

This single development has inevitably stimulated the general engineering industry of the city, which is now of respectable size, producing such varied commodities as lorries and the slot machines that are now again in demand for English railway stations. But beyond this immediate neighbourhood, in the foothills of the Cotswolds, in Gloucester and Bath, in the country towns of Wiltshire and Somerset, engineering factories of all sizes have appeared in some numbers during the last thirty years. The south-west of England has been an important beneficiary of the spread of engineering industry outside the old industrial areas, which was made possible by the appearance of electricity as a source of power and by the dilution of engineering skills. And the seriousness with which Bristol's role as the regional centre of all this new industry is viewed can be seen from the fact that Bristol University's largest postwar project is a new School of Engineering, which will cost a million pounds and will be one of the finest in the country.

With all its old and new industry, Bristol has not the air of an industrial city. From the Cabot Tower the eye is drawn first to the city docks immediately below, to the river from which John Cabot sailed to the discovery of North America four and a half centuries ago. Beyond, on the heights of Bedlington, and away to the east where the city spreads itself unchecked by the Avon Gorge, industry—even the new coal-pits being sunk at Downend—is lost in the rows of little houses; it is not advertised by the columns of factory chimneys, or blast furnaces. This is, in part, because some of the largest factories are situated beyond the city boundaries in green fields. Much, too, of the small-scale industry that has long been established in the heart of the city is now moving to the outskirts. Heavy bombing necessitated very large-scale rebuilding in the central districts, and this, if it has proceeded slowly, has been used to change the character of the centre. Trading estates, created in the outer suburbs, have been occupied in the main by firms which had been using temporary premises in the central area, or which were being evicted from it by reconstruction schemes. An important new cluster of industries is developing round Avonmouth—chemicals and non-ferrous metal refining, which need close proximity to a port. Thus central Bristol, if it is surrounded by industry, is surrounded at a distance.

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But this is not the whole story. Bristol really is less industrialised than, say, Coventry or Middlesbrough, in the sense that a substantially smaller proportion of its population is engaged in manufacturing industry. It is a regional centre. This is in an age that has seen a proliferation of Government services requiring regional sub-offices, of the branch organisations of great firms, of regional boards of all kinds. Bristol, like other towns in similar situations, has benefited greatly from being the natural seat of their offices. It has thus received accretions of middle-class population requiring middle-class housing and services, and has found new occupation for the great houses of Berkeley Square and Whiteladies Road. It is, too, though to a lesser extent than before the wartime bombing, the shopping and service centre of a wide area.

Bristol, then, has found in the age of electricity, aircraft and the welfare state a place of importance which it seemed in the days of steam-power and *laisser faire* to be in some danger of losing. But it is a new and different kind of place. Will Bristolians change too? Many observers profess to find this city characterised by a somewhat conservative and puritanical atmosphere, founded on the conscious superiority of ancient riches. How will this atmosphere survive as Bristol turns its back on the Merchant Venturers and looks towards the new technology?

Notes of the Week

With Molotov in the Wings

In barely a week the curtain should be raised in Paris on the momentous debate about EDC, but utter confusion still reigns behind the scenes of the Palais Bourbon. The actors are perplexed and nobody knows what text of the treaty will finally be presented. M. Mendès-France, who has directed with such skill on previous occasions, now faces a much stiffer test. His amendments to the text have angered the partisans of the EDC treaty without, at least for the moment, appeasing its critics.

This hostility, however, is more obvious among the opponents of the treaty than in the "European" ranks. The Christian Democrats (MRP) and their allies on this issue are apparently resigned to compromise and prefer a truncated treaty to no treaty at all. The Gaullists, on the other hand, and the left-wing critics seem in no mood for compromise. They have already warned M. Mendès-France that in backing EDC he is putting himself in the hands of his political enemies, who will not hesitate to drop him by the wayside at the first opportunity. That the Communists would not cease their opposition because of textual alterations could easily be foreseen. Nor are the changes in the treaty's "supranational" character likely to sway the 45 or so Socialist "rebels" who are really against any form of German rearmament. The modifications were clearly calculated to attract the Gaullists and in this they have not succeeded up to now.

Thus suspense will prevail until the very last moment and much will depend on external factors. Even if M. Mendès-France carries the day in Brussels, the outcome in Paris will not be certain. M. Moch has been quick to point out that five parliamentary commissions in turn have voted against the treaty. On the other hand, the prestige and powers of persuasion of M. Mendès-France should not be underestimated. If he comes back from Brussels with empty hands, he may refuse to make ratification a question of confidence, or he may be abandoned by the opponents of the treaty who still sit in his cabinet. There are also those in the Assembly who greatly hope, or fear, that Mr Molotov may transform the whole picture by proposing or hinting at Soviet concessions in Germany.

Banquo's Ghost in Peking

When Mr Attlee and his party reached Peking they found the Chinese determined not to be outdone by the Russians in the lavishness of their hospitality and the fervour of their polite speeches. But one wonders whether any Banquo's ghost appeared to mar the British guests' enjoyment of the exotic delicacies provided for them at the banquet in the Hall of Magnanimity. Presumably they must have known that only a few days earlier Chou En-lai, in a report to the People's Government Council, had called for "determined action on the liberation of Taiwan", and that recent speeches by Chinese military leaders and resolutions by local bodies make it clear that this is to be forcible liberation by military invasion.

Did they wonder how this squared with Chou En-lai's assertion that "international co-operation and the maintenance of world peace has been steadfastly upheld by China"? Or with the famous five principles, including peaceful co-existence, non-aggression and respect for other countries' territorial integrity and sovereignty, that are now playing such an important part in Chinese propaganda? They may have remembered that these principles first appeared in a Sino-Indian treaty in which Delhi virtually accepted China's annexation of Tibet.

But if the British delegates were perplexed by the Chinese Premier's conflicting utterances, they must have been even more bothered—if they read it—by a widely circulated editorial in a Chinese newspaper which managed to imply that the British Socialists sympathised with Peking's policy towards Formosa:

> To liberate Taiwan is the desire of the Chinese people. Members of the (British Socialist) delegation can naturally understand this desire of the Chinese people through personal contact. . . We believe they share our view that, to restore normal trade, it is necessary to oppose the "blockade and embargo" policy and Chiang Kai-shek's piratical acts under US auspices and to strive for the realisation of peaceful co-existence.

This is only one example of the way in which Mr Attlee's journey to Moscow and Peking is being used to make trouble between the western allies. The general tenor of the Communist comment is that the visit is an important and determined demonstration by "a considerable section of the British community that the British attitude to People's China is different from that of the USA".

Full Circle on the Railways

After "serious thought" whether it should call an immediate strike, the engine drivers' union decided on Tuesday that it preferred to pass its dispute with the Transport Commission through the remaining stages of the railways' negotiating machinery. The National Union of Railwaymen, meeting on the following day, protested that this would merely shift negotiations that have already reached deadlock at a high level into channels that would lead to another deadlock at a lower level. It has asked for an immediate meeting with Sir Brian Robertson, to impress on him the "critical developments" that may follow if a settlement is not achieved. The difference between these approaches seems to be that the NUR's proposal might bring the railway crisis to a head in September; the engine drivers' proposal might bring it to a head one or two months later.

The engine drivers and other skilled workers clearly have cause for complaint. The 6 per cent increase in wages that was granted to all railway workers earlier this year was originally meant to satisfy in full the claims of the unskilled and lowest paid men; subsequent negotiations should have dealt solely with the problem of the wages structure, which means mainly with an increase in differentials for skilled grades. Under pressure from the NUR, however, the Transport Commission has felt compelled to offer an extra 2s. 6d. a week to the lowest paid workers; and this has left it with only an extra 4s. 6d. a week to offer to top-grade engine drivers, who had been asking for an extra 26s. 6d. The NUR itself recognises that the commission has no more money left in the kitty. Apart from a vague desire to raise freight rates, its most positive—and most dangerous—proposal is that the government should step in with a subsidy to give the skilled workers more.

The individual union leaders are in a difficult position; and they are acting with all the moderation that they can muster. But their difficulties arise directly from their own immoderation in the recent past. The authorities should now hurry forward with the emergency measures that will be needed to face—they should not be deterred by cries that these may also be interpreted as measures that will be needed to break—the grave possibility of an autumn or winter railway strike.

Meat in a Muddle

The moderate rise in the price of meat since decontrol is not due to the fact that the markets have been set free, but to the fact that long-term contracts and the dictates of agricultural policy are still keeping them half-enslaved. Last week the president of the National Federation of Meat Traders, representing some 2,700 butchers, made a strong protest about higher prices for imported meat. Prices have fallen from the heights they reached immediately after decontrol, but they are on the average perhaps 3d. or 4d. a lb. higher than they were in the days of restriction. Mr Pascoe particularly mentioned offal as having risen sharply in price, and he asked who was getting the benefit of these higher prices. It was not, he said, the retailer.

The profiteer is also not the Ministry of Food, although it remains almost the sole importer of meat. Its contracts for Australian beef and veal and for all types of New Zealand meat do not end until September 30th, and it will continue as the sole importer of Argentine meat until it has taken delivery of the quantities that ought to have been (but, as usual with Argentina, were not) sent by June 30th. But the Ministry has not raised its average prices; it has merely widened their range. Higher prices are mainly due to the higher profits exacted by the prewar importers—wholesalers who do not yet do much importing but to whom the Ministry releases its stocks.

In one sense, however, the Ministry must take the blame. The middleman's higher profit is made possible by scarcity, and scarcity has been created by the niggardliness of the recent fortnightly releases of imported meat. The Ministry clearly does not want to depress the market for home-killed meat—which is already rather flat—just when supplies are approaching their peak; for this would involve heavy deficiency payments to farmers. And supply and demand are extraordinarily difficult to judge accurately, for housewives, unused to decontrol, buy in an unpredictable way. But the Ministry's efforts to save the taxpayer money now may cost him more later. It broke its usual secrecy in June to announce that existing stocks plus expected arrivals under the bulk contracts amounted to 400,000 tons. Some of this meat has been in store for months and a small part is already unfit to eat. Towards the end of the year, when the new season's meat will be coming in from New Zealand, the Government may find it very difficult to dispose of its meat fast enough—unless it cuts its prices sharply or is willing to see its stocks turn rancid. Now that freedom has returned the legacy of long-term contracts is harder than ever to reconcile with agricultural policy. It is also harder than ever to reconcile either those contracts or that policy with common sense.

Keeping Out the Bacon

The same problem—that deficiency payments can be kept down only if imports under bulk contracts are sold at a price that does not undercut the British farmer—is preventing the Ministry from bringing home all the bacon that a free market would provide. Danish bacon comprises about 40 per cent of Britain's total supplies. Imported at 237s a hundredweight, it yields the Government a profit of 50s a hundredweight on the restricted home market; while the British producer is paid about 400s, and thus involves the Government in a heavy loss. In the negotiations that are being resumed as *The Economist* goes to press, the Danes are asking for an increase of 10 per cent on this year's price—the maximum increase provided by the terms of the contract. They also ask that Britain should take more of their bacon—for it is clear that the housewife would buy more if she had the chance; they ask that next year's total should be some 250,000 tons, compared with 230,000 tons this year.

Britain, however, already has at present prices an embarrassing surplus of bacon. Home supplies have been swollen by recent imports of rather fat bacon under the contract with Eire (which is due, like the contract with Holland, to end in 1956); and already the Fatstock Marketing Corporation has had to announce a cut of 15 per cent in the acceptance of pigs for the bacon factories. The British negotiators are therefore unwilling to take more than 225,000 tons next year, or to pay more than a small increase in price. Their attitude is inescapable given Britain's agricultural policy. But it should be made quite clear that the principal function of this long-term contract is no longer to secure ample supplies at the lowest price. Its function is precisely the opposite: to keep out the

Danish bacon that the housewife would prefer to buy, but at the same time to avoid the stigma of resorting to import quotas, which would be a breach of an agreement dating back to 1933 and reaffirmed in Gatt.

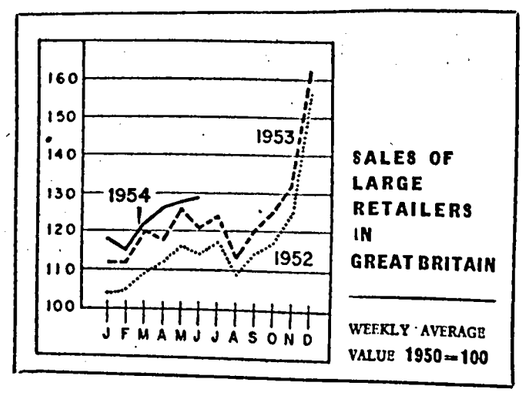
The Ministry of Food also makes a profit on Danish butter, which is bought at 345s a hundredweight and will, after this week's price reduction of 20s, be sold at 370s a hundredweight. So far the Danes show no sign of following New Zealand's example and terminating their butter contract (which should end in 1955) in response to the price cut of 3¾ per cent which Britain has proposed. It will be inconvenient if this contract survives. The Ministry wants to get out of the import business wherever it can—and British butter production is small and so therefore is the cost of protection.

Relief Across the Curtain

THE Communists have had a gratifying if surprising change of heart about accepting relief supplies from the United States. Just over a year ago the East Germans brusquely turned down an American offer to help alleviate their food shortages. This month, East Germany, Hungary and Czechoslovakia have all accepted the offer made by President Eisenhower on July 29th to send surplus foodstuffs to victims of the Danube floods on both sides of the iron curtain.

The East Germans were the first to take advantage of the offer. Their acceptance, conveyed by Herr Grotewohl and not by Mr Pushkin, the Soviet High Commissioner, was widely assumed to be designed to inveigle Washington into relations with a government that it refuses to recognise. But Mr Conant, the American High Commissioner, was quite equal to the situation. He blandly ignored Herr Grotewohl and continued his correspondence with Mr Pushkin, to whom he suggested that detailed arrangements about the transfer of the supplies should be left to the Red Cross. The East Germans took this lying down; Herr Grotewohl faded from the scene, and last Monday representatives of the German and of the International Red Cross met in Berlin and decided to follow normal Red Cross procedure in administering the aid.

Presumably the East German leaders really wanted some extra food supplies; or, at any rate, they did not want to face the popular disapproval that would greet a rejection of aid that is, after all, meeting the consequences of a



natural disaster and not filling the breaches caused by the Communists' own mistakes and muddles. The Czechs and the Hungarians were evidently in the same position, although they took much longer to make up their minds to it; the Czech acceptance was only received this week, but it has been accompanied by a remarkably handsome acknowledgment in *Rude Pravo* of the American people's sympathy. The exact consequences of the flood disaster in all three countries are unknown, but they were plainly considerable; and in many areas the floods must have spoiled, or at least seriously damaged, a fairly promising harvest. This is a serious matter for Communist regimes that have at last come to realise that they must improve supplies of food and consumer goods.

Anticlimax in Goa

ANTICLIMAX was written large over last Sunday's "march on Goa." At the point on the Goan frontier where a major incursion had been expected the demonstrators found themselves outnumbered by journalists and photographers, who had assembled to watch their essay in non-violent liberation. Elsewhere the efforts of the exponents of *Satyagraha* appear to have been equally pathetic and equally futile. Two days earlier, about 6,000 of the people of Goa had made a solemn pilgrimage to the tomb of St. Francis Xavier in Old Goa to beg him to intercede for them and save them from disturbances; they must have felt that the saint had listened to their prayers.

If both the Portuguese and the Indian governments had not behaved with good sense and restraint last Sunday, the Goan frontier might easily have been the scene of tragedy. The Portuguese authorities withdrew their armed forces to a discreet distance, leaving police armed only with truncheons to deal with the invaders. Likewise, Mr Nehru, although unable to refrain from a distinctly inflammatory speech, took firm action to prevent any Indians from crossing into Goa in support of the "Goan National Congress." Since then he has opposed a fresh attempt by over a thousand members of the Praja Socialist Party to enter the Portuguese settlement of Damao north of Bombay. It is to Mr Nehru's credit that he has persisted in a policy of moderation that is not popular with many Indians; it has, moreover, had the consequence of demonstrating how frail is the enthusiasm of the Goans living in India for the liberation of their country.

It now remains to be seen whether the Indians and the Portuguese can use the present breathing-space to work out a settlement of their quarrel. The collapse of the liberation movement and the passivity of the Goans has, one might think, reduced the whole affair to what Mr Nehru himself recently called it—a storm in a tea-cup. But the Indians do not see it that way. They are as determined as ever to remove the last vestiges of colonial rule from the Indian sub-continent. The Portuguese, for their part, remain equally determined not to be removed; they maintain that Goa, in any case, is not a colonial territory. These irreconcilable views are the cause of the two governments' present sparring over the Portuguese proposal to call in foreign observers. The Portuguese intended that these should confine themselves to the situation along the frontier, but the Indians seem to regard them as a means of bringing about the discussions on the territory's status that Lisbon refuses to consider. Neither side yet seems ready to concede that the decision might be left to the people of Goa itself.

Uphill Prospect in Iran

LAST Thursday was a national holiday in Iran, because it is exactly a year since army and people dealt Dr Mossadegh his *coup de grace*, summoned the Shah back from a calculated flight, and installed General Zahedi in power. Since then the chief change in the face of the country is the restoration of complete internal security. The Shah's smiling tour in Azerbaijan this summer is a symbol of the fact that travel is once again safe and easy. Another major change that affects the whole country is the official switch from fancy broadcasts, coloured to suit Dr Mossadegh's whims, to sober tales of Iran's actual position in world affairs. The third major act has been the initialling of the oil agreement; but this remains at the paper stage until, when the lawyers finish their drafting job, it goes before the Majlis for approval. The agreement must be approved or rejected as it stands. There can be no monkeying with a text that was achieved only as the result of the utmost effort to strike a balance between Iran's need to offer bait, if the foreign investor were to return at all, and its well-known antipathy to foreigners.

What will Parliament say? The elections to it in the spring were conducted with the inevitable amount of pressure from the men in the saddle, and both Senate and Majlis are full of friends and supporters of the regime. But there are disquieting little signs that some Iranians are already at their national pastime of picking holes in the men in power whenever their achievement is less than the optimum. General Zahedi, for instance, referred in a recent speech to "elements who want to see me supplanted"; and ears applied to the ground can detect the rustle of people taking out reinsurance policies by being nice to his adversaries. The curse of Iran has for years been a lack of continuity at the centre; whether this can now be preserved and the oil agreement brought to fruition depends, more than on any other single factor, upon the example set by the Shah.

If the agreement is ratified, there lies ahead a long slow plod uphill of a kind that is unattractive to the nimble Iranian. At present, the budget is out of balance; the cost of living, which may drop this summer thanks to a good harvest, had risen by 10 per cent in the early part of this year; provincial administration has sunk to a new low under the strain of Mossadegh's years of failure to pay salaries; and past methods of allocating earnings from oil to capital projects need overhaul. Ratification of the oil agreement will be only a first step towards rehabilitating an enormous, diverse and difficult country.

Colourless Call

THE Home Office has decided to launch an intensive recruiting campaign for the civil defence services next month. The small supply of ammunition allowed it by the Treasury will nearly all be fired off in a matter of weeks; most of its expenditure on newspaper advertising

will be concentrated into a single fortnight. The plan is that the country should be flooded with national publicity in the last fortnight of September; that equally intensive local campaigns should be conducted in the first fortnight of October; and that door-to-door canvassers should have the rest of the winter and the spring to reap a harvest of recruits.

Intensive publicity for a short period may be a better way of using limited resources than a continuous but insignificant dribble, but there must be some doubt whether this is the best moment to put the theory to the test. Most people more responsible than the proposed freemen of Coventry recognise the continuing, even growing, need for civil defence in the hydrogen bomb age, but remain unconvinced that civil defence in this country is in any way up-to-date. The posters being issued for the new campaign will not dispel these doubts; no one imagines that recruiting would be stimulated by pictures of piles of radio-active corpses, but it scarcely seems necessary to go to the other extreme and depict searchlights that could easily be probing for Zeppelins.

All civil defence tactics and techniques are now being reviewed in the light of the data provided by the hydrogen bomb tests, and it may be reasonable that these studies should not yet be finished. But by the time the Home Office is ready to show that it can deal with hydrogen bombs it will apparently have no money left for publicity, at least for the current year. Nor can there be much confidence in its ability to make effective propagandist use of its new look. The weakness in civil defence is less one of industry than of leadership and imagination. The Home Office has still not acted on the Mabane Committee's urgent suggestion that a chief of staff should be appointed, able to give national leadership. The service clubs must be knee deep in picturesque war heroes, free and able to take on this job. Recruiting campaigns will never go well so long as people feel they are volunteering to join a vacuum.

A Ministry for Consumers?

THE group of Co-operative MPs has just published a memorandum with one of the best opening paragraphs, but not with one of the best conclusions, that has come out of the Labour Party for a long time. The memorandum starts:

> A combination of mistakes, omissions and misrepresentations contributed to the defeat of the Labour Government in 1951. If one overriding factor has to be picked out, it was Labour's failure to give full consideration to the interests of the people as consumers.

It goes on to propose the establishment of a Minister of Consumers' Welfare. This department would take over such harmless functions as the control of weights and measures, the distribution of welfare foods, and the supervision of the Council of Industrial Design. The Minister would also—and these are the functions that are supposed to raise his status from that of a minor bureaucrat to a major economic force—be responsible for Government policy arising out of the reports of the Monopolies' Commission; receive an annual report from all trade associations that seek to enforce minimum prices; interfere with

the management by other Government departments of import and price controls (so long as these controls remain in existence); and act as a sorting house for complaints issued by revised Consumers' Councils. "In the field of agricultural marketing," the Co-operative MPs believe that "the responsibilities of producers' marketing boards should end at the point of sale from farms and that new arrangements should be made to bring order and efficiency into distributive sales to consumers."

These proposals are based partly on an accurate diagnosis of a real administrative weakness, but mainly on a complete misunderstanding of both economic and political democracy. There are fifty million consumers in this country; and they are meant to be represented not by a single department but by the entire Government. It is quite true that post-war Governments have often failed in this duty; it is quite true that any conscientious Minister of Consumers' Welfare would have resigned from both the Labour and Conservative administrations every other week. But if he did do this he might not be a very effective force; if he did not do this he would become merely a minor snooper in the field of distribution, leaving the real sinners in producers' monopolies and (especially) in other Government departments untouched. The consumers' welfare will best be protected by oiling the wheels of competition and the price mechanism, not by throwing in new bureaucratic spanners to be broken up.

Strike with a Silver Lining

It is not often that an unofficial strike in Britain can be described as almost heartening; but there was a silver lining to the stoppage at Hull docks this week. The background to the strike is simple. Twelve dockers from Cardiff were recently brought to the port to help with a rush of work that has arisen there. They immediately said that the methods of unloading grain at Hull were "prehistoric"; they were not going to do with their bare hands work that is performed in other ports entirely by machinery. Last year visiting dockers from Salford had voiced the same indignant criticism; and the men of Hull — their pride stung to the quick — promptly and unanimously followed their visitors out on strike.

The strike has many undesirable features. Some of its leaders may be professional malcontents. The men are in breach of their agreement. They have put themselves badly in the wrong by refusing to unload even perishable food, and by making interim demands that would slow the turn-round of all grain ships in Hull. But their main demand (which, admittedly, involves technical difficulties) is for the installation of some very expensive machinery, which would allow one man to do the work now done by four, and which would cut wage payments per grain ship unloaded by more than three quarters. This is, therefore, one of the first occasions in history in which British dockers have struck in favour of labour-saving methods. In the past, they have often struck against them. The occasion should not be allowed to pass without remarking that this new fashion in dockers' strikes seems very much better than the old.

Europe and the Recession

Although President Eisenhower has now announced officially that the American recession is over, Europe's economic ministers will not breathe easily until they have answered two questions to their satisfaction. The first is why the recession of 1948-49 caused so much more international havoc than the recession of 1953-54, although the percentage fall in American production was roughly the same in both periods. The second is whether the "halt" in the decline will be succeeded by an upswing in economic activity, or whether the "levelling out" will continue. The answer to the second will be much more important than the answer to the first.

The answer to the first is a compound of technical factors which have not yet been fully analysed, such as the remarkable stability of prices in 1953, the fact that 1949 was marked by speculative capital movements and 1953 was not, and the heavier concentration of the recent decline on a few sectors of the economy. But the largest single reason for the difference would seem to be the obvious one, that it is easier for a fat man to lose ten pounds than for a thin man to do the same. Exports to the United States in 1953 were substantially larger than in 1949, and imports from the United States formed a much smaller proportion of Europe's total import bill in 1953 than in the earlier year. The dollar gap is still there, hidden beneath the foreign assistance, but it has shrunk appreciably.

The United States has sneezed without the rest of the world catching influenza and the experience should help the bogey of an American recession to shrink to its proper size. But it would be a mistake to go to the other extreme and to assume that Western Europe can now afford a policy which ignores the basic economic interdependence of the free world. A continued improvement in the economic health of Western Europe will depend considerably on the answer to the second question. For if the American economy does not resume its expansion, not only will markets fail to develop, but the domestic pressures to restrict existing markets will continue to increase.

Bullets in Brazil

Brazil has enjoyed far greater political stability than most of its Latin American neighbours, but last week it showed a glaring contrast between industrial evolution and political backwardness. At Belo Horizonte, President Vargas inaugurated new steel mills which represent an investment of $22 million. These mills will be the greatest producer of seamless steel tubing on the Latin American continent. But, at the same moment, President Vargas's administration is threatened by one of those combinations of bungled violence and military unrest which characterise Latin American politics.

Responsibility for the attempted assassination of Carlos Lacerda, a journalist violently hostile to the Vargas regime, is being brought straight to the President's door. His son and his bodyguard seem more or less directly involved in the shooting. The whole affair is a tangle of allegations, denials and protestations of innocence from Catete Palace. Although Lacerda escaped with a slight wound, an Air-Force major with him was killed. That is the crucial point, for it has brought the military into the picture.

So far they have done little but group their forces and await the results of the inquiry into the shooting. The Minister of War and the head of the Air Force appear to hold the reins. An attempt at a more vigorous military intervention in the Bahia region has been checked. It is clear that the military have not yet decided whether to try to force President Vargas to resign. He is a cunning statesman and has weathered similar crises before. The longer the generals deliberate, the more certain it is that Vargas will divide their loyalties.

It is a pity that Brazil, with its infinite potential in natural resources, and with its central position in Latin America, should be at the mercy of politics through assassination.

Finding the Nurses

Little has been heard recently about a shortage of nurses, except for the continuing difficulties of the mental hospitals. Thanks to measures taken during and immediately after the war, the number of nurses and midwives employed in England and Wales has risen steadily and is now about 50 per cent higher than in the 1930s. In its latest report, however, King Edward's Hospital Fund for London points out that this state of comparative plenty is not going to continue. It depends on the supply of student nurses being maintained, but the number entering the training schools is falling year by year and in 1953 was 5,109 fewer than in 1949. In mental and mental deficiency hospitals, the problem is much more serious. They have only 4,530 student nurses between them (compared with about 45,000 in other hospitals), although they account for about 40 per cent of all hospital beds. The ratio of trained nurses to patients in mental hospitals and institutions is already only one to 12.5, compared with one to 5.4 in general hospitals; the combined effect of fewer student nurses and an ever-increasing number of mental hospital patients means that the ratio will soon fall farther.

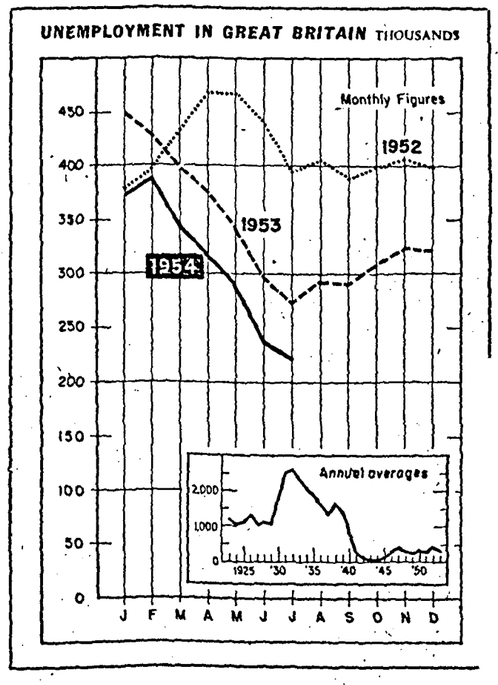
The hospitals generally have taken two steps to keep up the numbers of their nursing staff. Many of them, to bridge the so-called gap between the school-leaving age of 15 and the age—18—when girls can begin their nursing training, have started nursing cadet schemes. These provide a combination of further education and hospital duties unconnected with the wards. They are, or should be, organised according to a code laid down by the Ministry of Health; but a recent circular from the Ministry states that in some hospitals, where there is a shortage of nurses, the code is ignored; young girls are being employed on full nursing duties, even to the extent of being left in sole charge of wards. Neither the Ministry nor King Edward's Fund is in favour of a wholesale adoption of these cadet schemes, especially by the mental hospitals.

The other means of obtaining enough nurses is through the employment of enrolled assistant nurses, a recognised grade of nursing that requires a shorter and easier training and is particularly useful in the care of the chronic sick. The King's Fund points out that recruitment to the mental hospitals might be helped if such a grade, with a definite training and qualification, existed in mental nursing. The fact remains that the hospital service as a whole is probably reaching a peak in its supply of full-time nurses. It will shortly have to consider seriously how to make a more economic use of those it has got. As a start, could not the patients' flowers be left in the wards at night?

Two Voices from Africa

The voice of statesmanship in Kenya seems to have passed, at least temporarily, from Mr Blundell to Mr Patel. Mr Blundell is preoccupied with defending the attitude of himself and his supporters to the Lyttelton constitution against the virulent attacks being made on him by his diehard European opponents. Last week, Mr Patel, Indian Minister without Portfolio in the new Government and leader of the Asian group in Kenya's legislative council, defined his policy for the achievement of a multiracial state. He reminded his Indian audience that a common voters' roll and common schools could not be achieved, or all racial discrimination removed, overnight. He asked for a greater understanding by each race of the other races' viewpoint, and for

faith and courage to treat this country as a laboratory



experiment to bring about unity at the apex with diversity at the base.

More specifically, he proposed, as a first step towards a common voters' roll, that about 10 members of the legislative council should be elected on a non-racial electoral roll—along with continued separate racial representation. These members would provide a force designed to put forward policies for the interests of the country as a whole.

In Northern Rhodesia, Mr Moffat, European representative of African interests in the territory's legislative council, has also recently affirmed in that assembly his attitude towards a multi-racial state. Speaking in support of what have since been named, and published as, the "Moffat Resolutions," he looked forward to the gradual replacement of racial representation in the legislature by a common franchise. Taken by themselves three of his resolutions are as unexceptionable—and as meaningless—as the term partnership that Mr Moffat denounced as so woolly that it had become distrusted by the Africans. It was the words that Mr Moffat used in support of his resolutions that are important. In effect he told his fellow Europeans that they have to decide, and quickly, between strict *apartheid*, which he believed preferable to dishonest partnership, and full co-operation between the races; there can be no halfway house.

The last of the Moffat resolutions is unequivocal. It states that

> every lawful inhabitant of Northern Rhodesia has the right to progress according to his character, qualifications, training, ability and industry, without distinction of race, colour or creed.

This, Mr Moffat declared, was the most important part of his resolutions. Just how important it is can be illustrated by the refusal of the European workers in the copper mines to allow the Africans to progress in industry. The European trade union should therefore note that this resolution, together with the others, was adopted wholeheartedly, with only one dissentient, by Northern Rhodesia's legislative council.

Heavy Weather

It is reported that trade customers now have to wait three months to take delivery of umbrellas. It is nice to know that someone has done well out of the rain. From other industries come reports of depressingly heavy weather. The building trade has probably suffered more than any—the operatives through reduced pay packets and the employers through having to pay the "guaranteed week" wage to men who could not work. Manufacturers are burdened with stocks of summer dresses and of unwanted sandals. The canning industry has seen its soft fruit pounded by the rain, and estimates its losses in millions. The strawberry crop was only two-thirds of the normal. The absence of thirst has reduced beer consumption as a whole, but it has sold well in seaside pubs where damp holidaymakers sought consolation and shelter; sales of soft drinks through the shops have been about half their total in a normal summer. Ice cream sales are also down, although they have to some extent been buoyed up by cinema audiences, which have been exceptionally good this summer. Dance halls also have done well.

Seaside resorts that offer such indoor amusements have naturally suffered less than small resorts and beauty spots like the Lake District. But even the large resorts have seen some of their attractions squelched. Blackpool, for example, is £19,000 down on last year's receipts from open air amusements, while Brighton is £13,000 and Southend is £10,000 down. The hotels, however, have had a fairly good year, and so have holiday camps, for people book well in advance and have a pathetic faith that bad weather cannot last.

The Meteorological Office celebrated August Bank Holiday with a communiqué that contained one of the great truths of the year: "A contributory factor to the unpleasantness of the summer . . . has been the pronounced deficiency of sunshine." This month, at least so far, is rather less sunless than July. Up to August 16th London had 81.6 hours sunshine, compared with an average of 183 hours for the full month during the last thirty years.

The Dangers of Negotiation

The first campaign is scarcely more than half over, and already Russia has been baffled, defeated and repelled. She has been obliged to exchange the attitude of aggression for that of self-defence. From being resolved to appropriate her neighbour's territory, she is reduced to tremble for her own. . . . The insolent language of the Autocrat, who was resolved to have his way in defiance of all Europe . . . has been moderated into the complaining phrases—not yet quite apologetic or deferential—of a man who would fain make out that he had been misunderstood and ill-used. . . . It is clear that the Czar has been worsted, and that he admits it; and it is believed that he is inclined to come to terms. Already writers and diplomatists are discussing what these terms should be. This is the crisis of affairs that we have always looked forward to with the greatest anxiety. The dangers of hostilities seem about to be exchanged for the far more serious dangers of negotiation. Our readers will remember that, though we have never dreaded the arms of Russia, we have always expressed the greatest fear of her diplomacy. We know the characteristic weakness of the British nation—aggravated as it now is by our settled love of peace. . . . We know that our real danger is not in being beaten in a campaign, but of being overreached in a treaty; . . . not of conducting the war ill, but of throwing away all the advantages of victory by too great a desire for peace and too great magnanimity towards a fallen foe. . . . We shall be as thankful as anyone for the restoration of peace on a permanent and solid basis. Our only object in the preceding remarks has been to warn our countrymen against acceding to terms which, however plausible, are yet proverbially fallacious; and which will leave the embers of discord still slumbering and ready to burst out whenever circumstances shall render it the interest of the great aggressor again to fan them into a flame. Do not let us cobble or slur over our work. Do not let us have to do it over again at some future and less convenient period. Do not let us have spent ten millions for a hollow and unreal victory.

The Economist
August 19, 1854



This is not a detective story about a wire that led by some devious route to the discovery of a burglar. In the Philips history these various objects are very closely related.

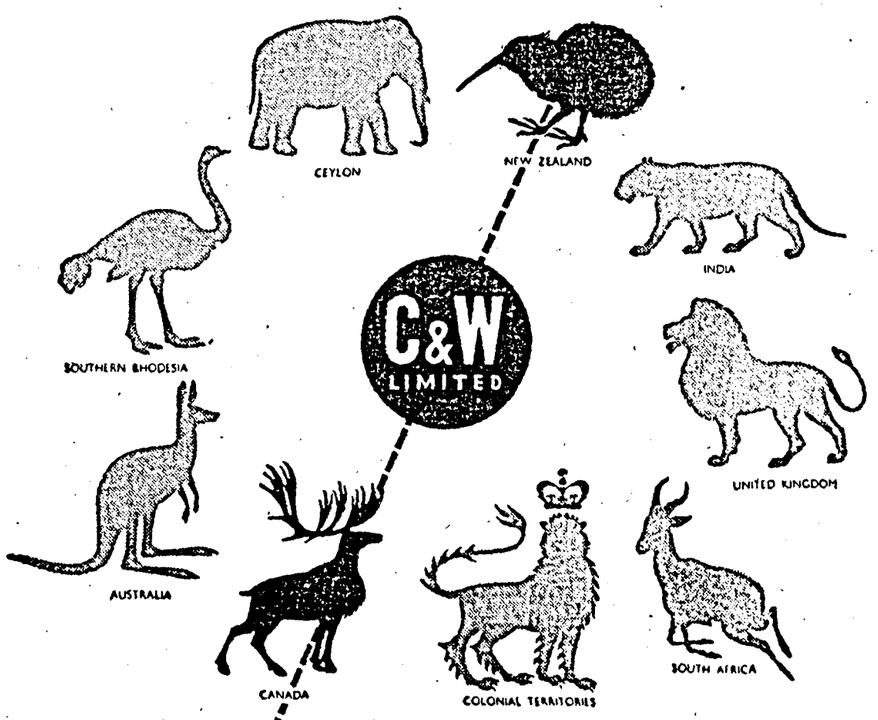
More than forty years ago Philips engineers found that available diamond dies—through which wire is drawn during manufacture—did not produce wire fine enough to meet their rigid specifications. Therefore, as so often in the Philips story, they took on the job themselves—they started to make their own diamond dies. What is more, in mastering this intricate craft they also paved the way to other products, such as chisels, milling cutters and drills for fine mechanical work, of which diamonds are an essential component.

In the history of Philips there are many instances such as this, in which initiative in one sphere has also led to achievement in another. For this reason, Philips service to industry, already so comprehensive, is for ever expanding.

PHILIPS *in the service of* INDUSTRY

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TELEVISION TRANSMITTERS • TELECOMMUNICATION EQUIPMENT • AUTOMATIC AND LINE TELEPHONY
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(258)



When the Kiwi cables to the Caribou

Between the land of the Kiwi and the land of the Caribou urgent messages must travel speedily and safely. Cabinet decisions, business quotations, Press despatches, family news—they are all part of the daily interchange of opinion and information between New Zealand and Canada. In New Zealand these messages are sent and received by the New Zealand Post Office; in Canada by the Canadian Overseas Telecommunications Commission. Between New Zealand and Canada they travel for 6,000 miles on the bed of the Pacific Ocean along cables owned and maintained by Cable & Wireless Ltd. Cable & Wireless Ltd. is a trading organisation; but it stands at the centre of Commonwealth communications. It owns the Commonwealth's 150,000 mile submarine cable network and operates the wireless relay stations on most of the Commonwealth's trunk wireless routes. From 62 telegraph stations within the Commonwealth and 70 in foreign countries, Cable & Wireless Ltd. operates the overseas telegraph service of most of the Colonial territories and the cable services of foreign countries in which concessions are held. Linking the Commonwealth is a vital part of the business of Cable & Wireless Ltd.—part of Britain's business.

How these services are carried out is explained in a 40-page illustrated booklet "World Wide Communication", which gives many interesting details about the Company's equipment, operations and administration. A copy will be sent to you without charge if you will write, mentioning this paper, to: The Public Relations Officer, Cable & Wireless Ltd., Electra House, Victoria Embankment, London, W.C.2.

CABLE & WIRELESS LIMITED

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CVS-239

Letters to the Editor

Borrowed from Stalin

SIR—Just back from a holiday abroad, I find that Mr Rothstein has answered my letter commenting upon an article which appeared in the April issue of the Soviet journal *Communist*. I must admit that I had overlooked the short paragraph on peaceful coexistence, which was squeezed between a denunciation of American war preparations and a boastful comparison of economic progress in the USSR and Great Britain between 1929 and 1951.

In the context of that long article dealing almost exclusively with the coming downfall of capitalism and the inevitable triumph of Socialism of the Soviet type, the Russian conception appears like coexistence with a moribund. The Communists claim to be the legitimate inheritors of the capitalist estate and they do not miss any chance to give it a few kicks in order to hasten its final disintegration. Mr D. E. Maurice, in his letter published in your issue of August 14th, has rightly mentioned some of the most striking instances of Soviet tactics to bring the Communists to power or to keep them there. To those may be added the more subtle procedure of camouflaging MGB agents as members of diplomatic missions entrusted with the task of recruiting local fifth columnists to work underhand for Russia, while the Communist parties serve Soviet policy by their open propaganda and other activities.

Mr Rothstein must be thankful that the freedom of expression prevailing in this country has given him the possibility to stand for the USSR against what must have looked to him as an unfair interpretation of its policies. It would certainly be a great help to the policy of peaceful coexistence if Mr Rothstein could send to the Editor of the journal *Communist* a letter based on his personal observations in this country so as to correct some of the sweeping assertions contained in the article he quotes in his letter. He could explain to him that it is not true to say, at least as far as Great Britain is concerned, that: "Capitalism is unable to provide people with work, bread, homes and clothes; that it cannot guarantee their security and that it deprives them of access to all cultural achievements." He could also point out the inaccuracy of the statement to the effect that "Production in all branches of industry in the capitalist countries of Europe is stationary or even diminishing." Mr Rothstein could find the necessary facts in your issue of August 14th, which shows that in Great Britain production has continued to increase at an average rate of between 2 and 3 per cent per annum and that in 1953 and 1954 the rate has been rather larger.—Yours faithfully,

T. ZAVALANI

London, W.11

Truce in Babel

SIR—Your call for a truce in the war of words will, I am sure, find many supporters. But would it help matters?

One very effective weapon is so often forgotten—the radio switch. The ether may well be cluttered up with accusations and counter accusations, but the only people really affected by them are the script-writers, commentators, those who choose to listen, those who have to listen and those relatively few unfortunates who do not possess superheterodyne nets.

Your suggestion of a truce on this matter between "the Communist and non-Communist powers" refers only to the BBC and the Voice of America on our side. But equally important are the privately run Radio Free Europe, Radio Liberation and Radio Free Asia: do you propose that they should be muzzled and put under censorship? What would the Communists do about their own supposedly independent stations like "Free Japan," "Free Greece" and the new "Voice of National Independence and Peace"?

Approaches to end the war of words have been made from our side before now, with no success. What we should like to see as a first step by the Communists is an end to their jamming not only of programmes intended for their own peoples, but also of those for their neighbours, like Finland, the Middle East and Iran. We should like to see the unrestricted sale of Western non-Communist papers and books in Iron Curtain countries once more, instead of their restriction to specialised libraries. We should like to see the Western embassies being allowed to re-open their information and cultural centres. These are the acts by which the Communists could make a welcome first move. But who is to judge when "news bulletins, entertainment and cultural material" become that distasteful thing, "propaganda"?—Yours faithfully,

JOHN CLEWS

London, W.C.1

The Egyptian Market

SIR—In a letter to *The Economist* from the British Chamber of Commerce in Egypt, Mr E. A. H. Goodwin says that "Egypt's removal of all restrictions on sterling imports reopens to British firms one of the easiest, safest and most profitable markets available." (July 31st.)

Mr Goodwin has evidently been more fortunate (or possibly better advised) in his choice of a line of business than the majority of us who are engaged in the representation of British firms and the sale of British goods in Egypt, which is notoriously a "price-market" where the last millieme (¼d.) counts, whether it be in the sale of a packet of peanuts or hand tools or heavy machinery.

For this very reason Egypt is a most difficult market for British quality goods, and the British manufacturer and his local agent have often to cut their prices to the bone in order to secure business in the face of the severe competition from continental (and now also Japanese) manufacturers. I understand that a good market in Egypt used to exist for quality British cotton and woollen piece goods, the importation of which into Egypt during the past two years has, however, been prohibited on account of Egypt's shortage of free sterling exchange. But although the Egyptian market has recently been opened again to British cotton and woollen piece goods, the market will seemingly now be only a very limited one on account of:—

(*a*) The eclipse of the "Pacha" class of customers.

(*b*) The very high customs duty imposed on such goods to protect local industries.

(*c*) The premium which has to be paid for sterling under the "Import Entitlement Account" system which at present adds some 6-7 per cent to the c.i.f. value of not only cotton and woollen piece goods but also to a very large range of other British goods which may now be imported into Egypt.

It is for these reasons that the British manufacturer looks to the British Government (the Board of Trade and the Export Credits Guarantee Department) for every possible measure of help and assistance in selling his goods in this by-no-means-so-easy market.

As regards risks, Egypt is no safer or more risky than other markets. The "safety" of any market depends primarily upon the selection of good customers, and in this respect the foreign manufacturer has to rely in a large measure upon the advice and guidance of his local representative or agent.—Yours faithfully,

Cairo W. D. LONG

Her Majesty's Oversea Service

SIR—With reference to your article of June 26th, I wonder if you realise how many men from the Commonwealth, as opposed to men from Britain, are already members of this service.

Among my own friends and acquaintances in Nigera I can think of geologists from South Africa, Canada and Australia, agricultural officers from Canada and the West Indies, and members of the Legal Department from the West Indies, Mauritius, Sierra Leone and the Gold Coast.—Yours faithfully,

Enugu, Nigeria JOHN HARRISON

Books & Publications

Disenchantment

BETRAYAL OF AN IDEAL.
By G. A. Tokaev.
Harvill Press. 314 pages. 21s.

THE Ideal is the picture, formed in the warm heart of a young Caucasian mountaineer, of the Bolshevik Revolution as the dawn of personal liberty, opportunity for the poor but intelligent, and freedom for national minorities. The Betrayal is the way Stalin misunderstood and feared all such spontaneous enthusiasms, using them for his own purposes when they were naïve and pliable; and suppressing them with rough insolence whenever they insisted on acting as the conscience of the regime they were otherwise prepared to serve loyally.

The indictment has often been made, but never more convincingly than in this personal account of a student who graduated over the years from tractor driving in his village to distinction as an expert on rockets and jet aircraft. His story is all the more compelling in that disillusion has not brought cynicism with it; he can still say that it was bliss in that dawn to be alive:

> Indeed to this day I feel that my status as "first-class tractorist," pioneer in introducing mechanisation to farming in my own countryside, was my most precious attainment. . . . To have been one of the founders of practical mechanisation I regard as a glorious honour.

Grateful as he was for his opportunities, he had at the same time a strong sense of his own powers and brought from his native mountains a fastidious integrity that not merely despised, but scorned to use the prudent hypocrisies of public life in Moscow. He said what he thought, imagining that sincerity and ability were all he needed. When he heard a funny story about Stalin he retailed it; and (since this happened soon after Kirov's assassination) found himself publicly tried at a party court as a Bukharinite, howled down by the colleagues who had previously joined in the laughter, and expelled from the party.

For long he bore a charmed life; and at such crises his own disarming personality moved some older and saner revolutionary to recognise the genuine zeal beneath the obviously exasperating lack of tact. Such men, themselves already Gullivers bound by the reddest and most lilliputian of red tape, were yet still able in the thirties to save by their exertions men of revolutionary temperament from being destroyed by Stalin's counter-revolution.

He scraped back into favour more than once, but each time the margin of survival was narrower, and the last involved a beating-up that almost proved fatal. A second volume, dealing with his career as an aviation expert, will presumably give the immediate reasons for his defection from Soviet society; but it is evident from the story he tells here that there could have been no final choice for such a man but death or self-imposed exile.

Mr Tokaev's experience is no doubt that of many of the more talented of his generation. What is less clear is how far his responses are equally typical. His abilities, enthusiasm and capacity for devotion are well above the average. But so are his individualism (he calls himself a "revolutionary democratic liberal" and he ought to add "nationalist" as well), his scorn of compromise and his disconcerting innocence of temperament.

Courage and frankness like his are probably not widespread, and it would perhaps be too hopeful to think of Soviet technicians as so many million Tokaevs, uttering their twentieth century version of *laissez-nous faire* to a big brotherly government; which is in effect exactly what he did. Even so, his account of the thirties does suggest that he and his like are the visible part of a much larger iceberg of opposition to Stalin and his system, and that the gestures of concession shown to the new managerial class in the last year and a half are intended to serve as a political gulf stream, liquidating it by less brutal and socially dangerous means than those employed by the Man of Steel.

Incredible City

FABULOUS CHICAGO.
By Emmett Dedmon.
Hamish Hamilton. 380 pages. 25s.

MOST aspects of Chicago are fabulous, but none beggars belief more than the plain description of the speed with which it grew into one of the world's great cities. The answer given by the ill-starred Samuel Insull to an inquirer about his ancestry was this: "My family tree is so short. All that I know is that my family were good Presbyterians." It was an answer that might have been given by most of the men and the women who built up this Arabian Nights capital of the Middle West.

So much happened so quickly that, almost against his will, Mr Dedmon's opulent panorama has the effect of "hustled history." Those readers who have been brought up to know best the Chicago of the "melting pot," of "Big Bill" Thompson, of Al Capone and the St. Valentine's Day Massacre will find much profitable new light on the city in these knowledgeable pages. The author makes the point that the pioneer Chicago stock sprang mainly from Puritan Anglo-Saxons, who migrated from the Eastern States. They were dour, thrifty, fanatically hardworking, with a sharp eye to the main chance, but that explains no more than half the miracle.

For example, at the Art Institute, a supercilious visitor inquired how Chicagoans could afford to buy so many Renoirs. "We did not buy them," replied Mr Chauncey McCormick, the Institute's President. "We inherited them from our grandmothers." What ancestresses! And what an inheritance! Mr Dedmon is happy in the extraordinary diversity of his odd century or so of social history, and he tells such stories as that of the Great Fire of 1871 with picturesque gusto. The book is illustrated by a wealth of admirable pictures.

The Founding Fathers

MARXISM AND ANARCHISM, 1850-1890.
By G. D. H. Cole.
Macmillan. 493 pages. 30s.

IN this, the second volume of his "History of Socialist Thought," Professor Cole really hits his stride. The first volume, "The Forerunners," was a good deal more than a curtain-raiser to the main enterprise; it was an exceedingly solid work of historical scholarship. It dealt, however, with a very mixed bag of freaks, whose ideas for the most part provided neither mutual support nor fruitful controversy; and it suffered accordingly from a certain lack both of cohesion and of intrinsic interest. In "Marxism and Anarchism" the great debate is in full swing, the great guiding ideas are taking definitive shape; and moreover Mr Cole does much more, in this second volume, to relate the Socialist thought which constitutes his main theme to the development of political ideas and events in general. There are still oddities galore, very minor prophets, ephemeral pamphleteers, marginal agitators and petty sects, whose controversies and mutual denunciations demand, one might think, either the pen of a Gibbon or the mercy of oblivion. But the lasting polarities are established, the oddities fall into place as allies, enemies or bickering camp followers; Socialism, from a vague descriptive term denoting a nebulous common factor in several disparate systems of thought, becomes unmistakably and formidably a movement.

The scholarship, comprehensiveness and nicety of historical judgment that Mr Cole brings to his task are probably beyond the assessment of any reviewer except Mr Cole himself. On this subject, he is the authority. Other historians are equipped to produce monographs and sectional studies; here, formidably based on a mountain of authorities, is an encyclopaedia. Mr Cole retains in this *magnum opus*, however, all the qualities that make him so outstanding a popular writer: clarity of exposition (particularly well exemplified in his account and evaluation of Marx and Engels); simplicity of style; the deft use of an occasional unbuttoned phrase (how delightful, for instance, to find Bakunin described as "a bit of an ass as well as a volcanic force"); the power of organising large masses of material into manageable and memorable shapes. It would be going too far to call "Marxism and Anarchism" a book for the general reader; but few works equally erudite can offer to the serious student, or to the seeker for particular references, so pleasurable and stimulating a task.

Le Roi Jean

SO FULL A GLORY
By Major-General Sir Guy Salisbury-Jones.
Weidenfeld & Nicolson. 300 pages. 21s.

WITH a foreword by the late Viscount Norwich, this is a biography of Marshal de Lattre de Tassigny. Its title is taken from *King Henry V*, and reads in full:

> But I will rise there with so full a glory,
> That I will dazzle all the eyes of France.

When de Lattre died in January, 1952, and his coffin was borne through the streets of Paris, many Frenchmen suddenly realised, almost for the first time, how dazzling indeed was the figure that had departed from the military scene. There was universal approbation for the President's action in promoting him posthumously as the first Marshal of France for a quarter of a century. By one of the odd quirks of history Jean de Lattre de Tassigny was born in the same village in La Vendée, Mouilleron-en-Pareds, that produced Clemenceau. And it is a measure of his stature that, in a different field and very different circumstances, the example and leadership of de Lattre's sixty-three hectic years already bear comparison with those of his fellow villager.

From first to last de Lattre was essentially a soldier, though he finished by being a statesman as well. A cavalry troop commander in 1914, in 1940 he was in command of the 14th Infantry Division, one of the very few which, at Rethel on the Aisne, broke the plans of the German advance. Henceforward, however, the French army could not escape politics, and, ironically enough, General de Lattre was put in command of the area that included Vichy itself. But, as it was often to do later, his spirited attitude soon began to make enemies, and he was shifted farther south. There followed an abortive attempt to resist the German march into unoccupied France in 1942, his trial at Riom, imprisonment, escape, flight to England, service under General Eisenhower in North Africa, and historic return to Southern France as commander of the First French Army. At the end, *le roi Jean*—a nickname earned as much by his downright efficiency as by his flamboyant love of *panache*—signed for France on the German surrender document in Berlin. Later, he became Commander-in-Chief of the Land Forces of Western Europe and finally High Commissioner in Indo-China.

General Salisbury-Jones is by no means the first to write a biography of France's most prominent soldier of the second world war; but he is the first to do so in English, and he has brought to his task the authority of a former Military Attaché in Paris. His book is a major contribution to a better understanding of the travail through which France has been passing. It is also a testimony to the fact that not every Frenchman has lost those traditional qualities that once made his country great.

Ungrateful Inheritors

FAMILY INHERITANCE. *A life of Eva Hubback.*
By Diana Hopkinson.
Staples. 196 pages. 10s. 6d.

IS it character or convention that causes eminent women to miss eminence? Had Eva Hubback been a man her achievements would have brought her honours and fame. Any man with her abilities and record of successful public service would have been bedizened with ribbons and chains of office and made chairman of innumerable public bodies. Was it Mrs Hubback's own natural unwillingness to publicise herself, as distinct from the causes she so vigorously pursued, or an excessive diffusion of her energies over too many causes that lost her public recognition? Or is society still far more preponderantly male than is generally recognised?

A great part of Eva Hubback's life was spent in securing legal equality for women. She herself had a combination of intellectual ability, astounding vitality and an enthusiasm for bettering the conditions of mankind which few men or women of her generation could rival. She was a redoubtable fighter, much feared in the lobbies of the House of Commons and in the government departments she sought to convert; a successful principal of Morley College; a member of the London County Council for three years; and chairman of many committees concerned with education and the welfare of women and children. Yet she died almost unknown to the public at large. Why?

This book, by Mrs. Hubback's daughter, does not attempt to give the answer. Indeed the picture it paints of her public life is singularly colourless. It fails to convey convincingly that facet of the woman who finally killed herself by overwork for innumerable causes. The book does, however, give an interesting and true picture of her as a private person: the rebellious daughter, of a public-spirited Jewish family, a Cambridge undergraduate, a mother of three children and a wise and generous counsellor and friend to people of every generation. Though Eva Hubback could be masterful and ruthless in pursuit of her "causes," she had a fund of wisdom and kindliness which gave her a matriarchal position among her friends and friends' children. Her advice was constantly sought and freely given. This generosity of spirit gave an immense richness to her life even though at the core of it there was loneliness and, one suspects, regret that no one was concerned to reward her labours and successes by giving her greater responsibilities. She was far too great a person to pine at such neglect; but that neglect has obscured the debt that generations of women owe to her efforts to secure for them political and legal equality, family allowances and other benefits now accepted as a matter of course.

Headlong Rush

WHY DICTATORS?
By George W. F. Hallgarten.
The Macmillan Company of New York
392 pages. 38s. 6d.

ONE supposes that the market for books about our oppressors, past, present and to come, is more or less illimitable; and if Dr Hallgarten had done no more than add to the number of volumes on Caesar, Napoleon, Hitler or Stalin, there would be no more to be said. But Dr Hallgarten, whose subtitle for his book is "The Causes and Forms of Tyrannical Rule since 600 BC," makes no such limited claim upon our attention. His purpose is to apply to the subject the sociological methods of Max Weber, whose "influence on American science," he ominously assures us, "is steadily increasing." As presented at the beginning these methods are more than simple tools of analysis:

> By applying Weber's methods, we shall prove that there were typical situations —both economic and social—in which certain kinds of dictatorships arose, and were, indeed, bound to do so whenever the basic situation repeated itself. Seen from this angle, the emergence of the individual strong men will lose some of its miraculous luster and will appear natural and understandable. Standard sociological types of dictatorship, if properly devised, not only explain the cases of tyrannical rule in the past, but also illustrate the nature of present and even of future regimes of this kind, just as the rules of astronomy apply to yet unknown and unseen stars.

And so we are taken on a headlong rush through history and around the world as the successive regimes are classified as "classical dictatorships," "ultra-revolutionary dictatorships," "counter and pseudo-revolutionary dictatorships" and "dictatorships in the present world." How good a guide Dr Hallgarten is, only a reviewer with his own seeming claim to omniscience could indicate. But what Dr Hallgarten has to say about Oliver Cromwell gives one no confidence in what he says about Venezuela; his rather detailed account of the Soviet regime in all its aspects seems to miss the point so often that one hopes he is better informed about the Anabaptists of Münster. At any rate, it would seem that his own courage fails him at times. About three-quarters of the way through, William of Ockham

is dragged in to remind us that Weber's "types" do not claim real existence; almost at the end of the book Dr Hallgarten suddenly admits that "sociology, as little as any other science, can pretend to look into the future." Where is astronomy now?

What does it all come to, then, but a series of comparisons of more or less value for the understanding of this or that aspect of dictatorial rule? Does it really help one to understand the Medici or other Renaissance tyrants to be told that their rule bears some resemblance to that of Pilsudski? Is there any similarity other than a superficial one between the foreigners who enlisted to fight for the Spanish colonies against the mother country in the days of Bolivar and the Soviet-recruited International Brigade of the Spanish Civil War? Does sociology help one to grasp the essentials of the French Revolution when one reads sentences like this: "the Dumouriez affair was the signal for the downfall of the entire French capitalist class known as La Gironde and for the turbulent and strife torn regime of the radical masses, commonly called La Terreur"? Dionysius I of Syracuse (405 to 367 BC), "unlike the Fascists," we are told, "was a more or less progressive type." So, no doubt, is the good Dr Hallgarten.

Guide to the Fourth Republic

POLITICS IN POSTWAR FRANCE.
By Philip Williams.
Longmans. 514 pages. 35s.

IT is easier to jeer at the antics put on the French political stage than to analyse and explain the poor quality of the performance. Mr Williams has chosen the more difficult course and produced an excellent study of the working of the French political system since the war. Indeed, if anything, he seems at moments over-optimistic and too indulgent in his criticisms; he may have been carried away in certain passages by the French motto that *tout comprendre c'est tout pardonner.* Thanks to the author's understanding, however, the book is a most valuable guide through the complicated web of political parties and the constitutional labyrinth.

The journey begins with a bird's eye view, a brief survey of the Fourth Republic from the days of the "three-party system" to the Laniel government of a few months ago. This is followed by a well-documented analysis of the party rainbow from one extreme to the other. The multitude of colours and shades is shown not as the cause of French governmental instability but as the effect, the reflection of real political variety in the country. The constitutional problem is set against this background, thus showing that the weaknesses of the system cannot be cured by a stroke of a pen.

This is not a book for people seeking oversimplified diagnoses and magic prescriptions. The cleavages are too deep-rooted to be eliminated overnight. There is the traditional *incivisme*—the mistrust of the state (strengthened by the Vichy interlude)—and its companion—the belief in the ultimate right of insurrection. Nor is governmental instability a new phenomenon. Coalitions were as insecure under the Third Republic; but the political patching up is now more difficult with a powerful Communist party.

There is certainly room for an economic and social study of the French ills, but Mr Williams's scope was limited to its political symptoms. Within its terms of reference this is a most valuable book. The narrative is clear and lucid; the argument is always backed by pertinent, sometimes illuminating, illustrations. Both the layman and the specialist will find a wealth of up-to-date information and an antidote to the fashionable superficial utterances on France. The Mendès-France experiment has revived interest in French politics and this book should help its readers to weigh more soberly the chances of a French recovery.

Foreigner in China

CHINA TRADER.
By A. H. Rasmussen.
Constable. 246 pages. 18s.

THE years between the Boxer Rising in 1900 and the mastery of the country by the Kuomintang (Chiang Kai-shek's party) in 1927 were the best that the white man ever had in China. In those years the foreigner (if he was not a missionary he was usually a trader of one sort or another) was feared and respected and, minor discomforts notwithstanding, he could enjoy all that the country had to offer while, at the same time, conducting a highly remunerative business.

This book tells one man's story of those years. It is told in a simple but straightforward narrative, which not only draws a picture of day-to-day life in the Foreign Settlement at one of the smaller outports, but also delineates the types—Chinese and foreign—to be found in those small islands set in the human sea that is China. The reader is also left with a good comprehension of the character of the ordinary Chinese—that curious mixture of charm, courtesy, shrewdness, selfishness, inhumanity and cruelty—and of the deplorable methods of the old-time officials.

Mr Rasmussen had more than the normal share of live adventure, thanks mainly to an indomitable urge to find out for himself where and why his cargoes "en route" from the interior were held up during times of disturbance. His travels on these errands carried him among and through the "Warlord" armies during their struggles for power in 1920-27, and his accounts of some of the pitiful scenes he witnessed will convey to the intelligent reader some inkling why the ordinary Chinese peasant and worker today find the Communist Government, which at least takes some care of its own soldiers and of "the people," so much better than anything he has known before.

This book will certainly have a place in the literature of the hundred years of foreign privilege in China—the century of the Merchant Adventurer. It will also induce nostalgia in many an old China hand by the names it recalls—Dr Balean, Mr (now Sir Allan) Mossop, George Soderbom, and many others known throughout the English-speaking communities in China before 1941.

Shorter Notices

WORLD POPULATION AND PRODUCTION.
By W. S. Woytinsky and E. S. Woytinsky.
The Twentieth Century Fund, New York.
1268 pages. $12.00.

The authors of this work set themselves the task of presenting an economic picture of the entire globe. This volume, overwhelmingly impressive in its size and comprehensiveness, is to be followed by a second on world trade. The research that has gone into the study was financed by the Rockefeller Foundation and the Twentieth Century Fund.

Here is a tremendous array of facts about the peoples of the world: their numbers, religions, languages, health, the communities in which they live, and the natural and man-made resources at their disposal. Nearly 500 statistical tables support the text, many of these ranging over a long period. It is no reflection on the skill of the compilers that the inadequacy of statistics for international comparisons is revealed time and time again. Concepts such as the standards and levels of living in different countries do not lend themselves to straightforward measurement. Nevertheless, the authors have made effective use of what is available and there is the added interest that they have projected forward their extensive study of the past. Somewhat cautious in their crystal-gazing, they are reasonably optimistic. They see the rapid growth in the world population approaching its end and do not subscribe to the Malthusian outlook on the food situation provided adequate economic aid is given to the underdeveloped countries; but they give a warning that a shortage of oil may develop before the end of this century. Among manufacturing industries, they see the brightest outlook for chemicals. The scope of this study is so vast, however, that in spite of the size of this volume, some of the inevitable generalisations seem rather superficial. But as a reference book it is a valuable assembly of facts.

Books Received

ECONOMIC SURVEY OF LATIN AMERICA, 1953.
United Nations.
Her Majesty's Stationery Office. 262 pages. 17s. 6d.

AMERICAN BUSINESS CORPORATIONS UNTIL 1860, WITH SPECIAL REFERENCE TO MASSACHUSETTS.
By Edwin Merrick Dodd.
Harvard University Press (London: *Geoffrey Cumberlege*). 543 pages. 60s.

THE ECONOMICS OF "UNDER-DEVELOPED" AREAS: *An Annotated Reading List of Books, Articles, and Official Publications.*
Compiled by Arthur Hazlewood.
Oxford University Press for the Institute of Colonial Studies. 101 pages. 6s.

TREATISES ON THE BALTCON-CHARTERPARTY.
By Kjeld Rordam.
Allen and Unwin. 196 pages. 32s.

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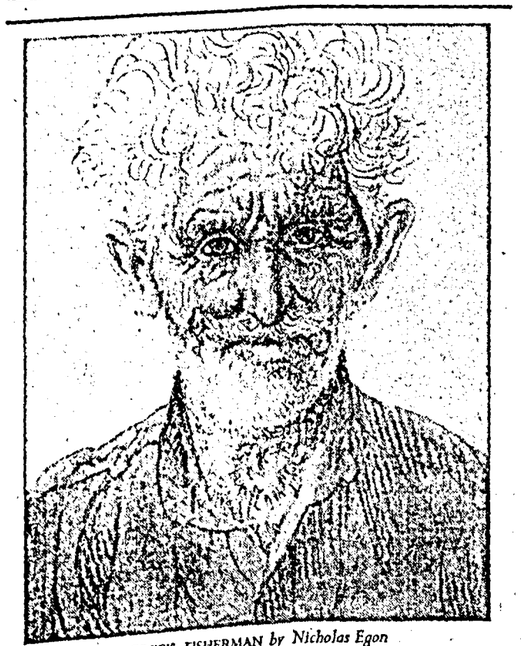
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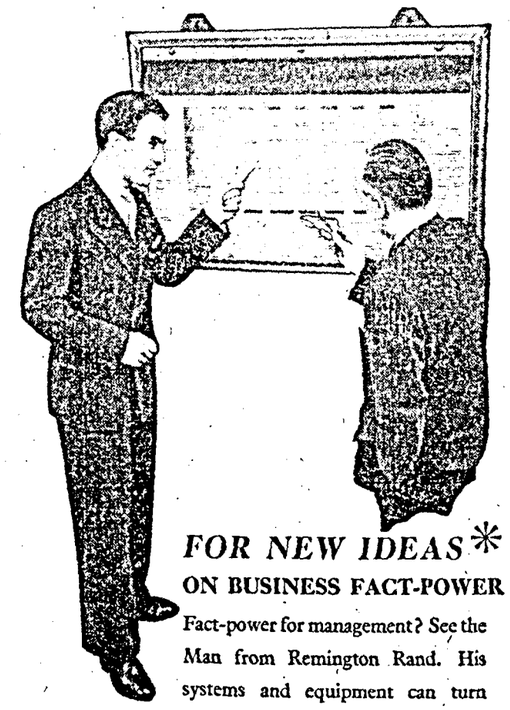
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WORK CAPACITY

THE PRIME REQUIREMENT in developing new types of transport aircraft is to provide greater work capacity at lower cost per ton-mile. The formula for this increased earning power is the carrying of larger payloads at high speeds over longer non-stop distances, and flying as many hours out of the 24 as possible. Speed is, perhaps, the element that attracts most attention in all forms of transport, and speed is, of course, a function of power. Turboprop engines being built in Britain develop horsepowers considerably more than can be obtained from the piston engines which power all large, long-haul airliners at present in use.

Modern intercontinental airliners with their spares cost about a million pounds each, or roughly twice the price of the last generation of airliners. Their capital cost is usually depreciated over about six years, although their useful life is at least twice and nearer three times this period. The higher annual depreciation costs incurred would increase rather than lower the present operating cost unless the aircraft were capable of greatly increased work capacity. Each of the turboprop Britannias that Bristol is building can offer a yearly work capacity of about 11.5 million ton-miles—assuming each does 3,000 hours flying a year at an average net speed (take-off to touch down) of 320 mph and carries 12 tons on each flight. In terms of passenger carriage—the measure being 10 passengers to the ton—this is equivalent to 115-million passenger-miles. In 1953 Pan American Airways made available 3,200-million passenger-miles, which corresponds to the potential annual output of 27 Britannias, compared with that airline's fleet of 105 main line aircraft in service last year. In practice, of course, paper plans and estimates do not work out so ideally as this, and a greater margin of fleet capacity is required. But the arithmetic serves to show how the advanced capabilities of these new aircraft will enable lower costs to shippers and the travelling public to be achieved.

This enhanced work capacity, therefore, is the product of three factors: more speed due to greater power, longer range due to fuel economy combined with speed, and many more seats. To offer one of these without the other two is not enough. For instance, an annual average speed of 400 mph allied to a capacity of 5 tons, makes possible at the same 3,000 hours yearly utilisation, a work capacity of only 6-million ton-miles per aircraft by contrast with the Britannia's 320 mph, 12-ton capacity and 11.5 million ton-miles a year. And if the range of new aircraft is limited because of high fuel consumption, the annual average speed is reduced by the need for more fuelling stops—to say nothing of the higher fuel bills. Moreover, as payload is always subject to the weight of fuel that must be carried for a given distance, very high speeds at high consumptions can be less rewarding than somewhat lower speed combined with more miles per gallon.

World competition for long range, heavy airliners has been taking the form of marginal advances in the designs of four or five manufacturers. Every few years range, payload and speed figures of the individual designs have been inched higher. The Britannia has been evolved not only to provide all-round gains in these respects over existing piston-engined types, but to start life with a basis for continued improvement during the next 10 to 15 years as a normal process of development. The broadening new science of harnessing gas turbines to high-speed propellers offers powers, air-speeds and fuel consumptions that will steadily push the piston-engine farther into the background.

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American Survey

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

The Morning After Geneva

Washington, D.C.

WASHINGTON is a sadder, and a soberer, city today than it was in the period of what the *New Yorker* magazine called "thrashing indecisiveness" before the Indo-Chinese truce was signed. There are signs that it is also a wiser city. Looking back over the last months it is easy now to understand why the United States provided such a spectacle of vociferous inaction but few people gave much thought to the reasons at the time.

There were three possible courses of action open to the makers of American policy when it suddenly dawned on them that their confidence in the Navarre plan had been misplaced and that the French could not win in Indo-China without help. One was to help the French to hold the position on the field; another was to help the French to save what they could at the conference table; the third was to remain as aloof as possible and deplore whatever settlement was made without doing much to improve it. The choice of the third course was inevitable for an Administration which had come to office on the programme offered by the Republican party in 1952.

It would have been of no use to intervene on behalf of the French without sufficient forces and, although for a time nobody bothered to listen to him, General Ridgway was quietly taking every opportunity to point out what sufficient forces would mean—probably seven divisions. When Admiral Radford was advocating so passionately the bombing from American carriers of China as well as Indo-China there is no evidence that he counted, or, at least, was concerned about, the consequences of his proposed action. But a government accepting his ideas and translating them into policy would have had to count the cost.

The government, however, whatever the knowledge, experience and views of the President and the Secretary of State as individuals, represented the party which had undertaken to stop the fighting in Korea (and had succeeded in doing so) and had promised to reduce the military establishment (and had begun, even if more slowly than public pronouncements suggested, to make the reductions). The fact that it had also preached a policy of liberation of the Soviet satellites somewhat obscured the reality of its more basic policies but liberation was, after all, an ideal, something more distant and less distinct than intervention, which would have entailed the abandonment of election promises.

There is no need to wonder, therefore, why no policy in favour of intervention in the Indo-Chinese war was ever adopted and there is as little need to guess why the United States could not play its full part in the negotiations at Geneva for a settlement. The Republicans had made much political capital out of accusing the Democrats of "losing China" and they could hardly play an active part in "losing Indo-China."

★

There seems to be no doubt that the President, and every sign that Mr Dulles, soon absorbed the lessons of the worst diplomatic disaster in recent American history. But the congressional leaders appeared to be totally unaware of what had been happening and only shouted the louder at Communist China and those who had been indiscreet enough to recognise its government. It took Dr Syngman Rhee to bring them to their senses. Dr Rhee, with a deceptive display of naïveté, took Congress at its word and developed its arguments to their logical conclusion of renewing the war in Korea. Congress was not amused, but President Eisenhower may well have felt inclined to offer his heartfelt thanks. Since then he has been visibly more relaxed on the kind of subject that only lately stirred up trouble in Congress.

The week after Dr Rhee spoke, President Eisenhower said that the distinguished citizens meeting as the American Assembly were only being realistic when they deplored a rigid policy of permanent opposition under all circumstances to the seating of the Communist Chinese regime in the United Nations, and expressed their belief that

> the United Nations should, in principle, be an organisation of universal membership [and that] the question of what government should represent China in the United Nations is not, technically, a question of membership, but of proper representation of a country already a member.

This is a very different approach from the anguished threats to use the veto which have been the stock comment on the situation up to now.

A week later the President disagreed firmly and completely with General Mark Clark's suggestion that the United States should sever diplomatic relations with Russia and reorganise the United Nations without the Communists. Those were by no means the views of his Administration, he said, and he was quite certain that the world must retain a forum, established by agreement among all the major nations, in which to discuss their differences. And he went on to express, with some fervour, his opposition on moral, political, military and all other grounds to talk of a preventive war.

After eighteen months which have provided some sharp lessons the Administration has clearly begun to learn that it is harder to operate a policy than to proclaim a programme and that, in the area of geopolitics, the statement of a reasonable proposition does not ensure that anyone else accepts it. In his speech to the American Society of Newspaper Editors on April 16th last year, for instance, President Eisenhower made the eminently reasonable statement that a Korean truce should mean an end to the direct and indirect attacks upon the security of Indo-China and Malaya because "any armistice in Korea that merely released aggressive armies to attack elsewhere would be a fraud." When the armistice came it was, in fact, according to the President's own specifications, a fraud, but one which the United States had encouraged. America was talking so much about coming military reductions that the Chinese felt they could move their armies south without danger.

However, little of the reduction that was given so much publicity has yet taken place—the United States is probably stronger today than it was when the policy of military retrenchment was announced—and most of it has already been quietly abandoned. When Mr John Hannah, the Assistant Secretary of Defence, held a press conference three weeks ago to discuss a new military manpower plan all the attention was directed to the programme for making qualified young men undergo a period of training and for building an effective reserve. But Mr Hannah also referred to the fact that, a year from now, the regular forces would be stabilised at a total of just over three million men. This, he pointed out, was 230,000 more than had been planned a year ago and the increase, which would chiefly benefit the Army and the Marine Corps, had been approved because "we require more strength in the Far East."

At the same time, therefore, that the United States has stopped wielding the big stick in a threatening manner abroad it has also decided to stop whittling it away at home. It was a Republican President, Theodore Roosevelt, after all, who advised his country to speak softly but to carry a big stick and the advice was never more disregarded than during the first seven months of this year. President Eisenhower, who never followed his Secretary of State down the corridors of "massive retaliation," has now set a different tone.

Making Capital Out of Communists

THE anti-Communist legislation with which the Republicans hoped to wind up the congressional session this week has got sadly out of hand with the overwhelming votes in both chambers to make membership in the Communist party a crime. The President, the Attorney-General, and the Federal Bureau of Investigation are all on record as opposing any legislation to outlaw the party. Moreover, the proposal was sprung on the Senate, without any warning or hearings, by liberal Democrats who made no secret of their satisfaction in finding a politically effective reply to the Republicans who were foolish enough to accuse the Roosevelt and Truman Administrations of "twenty years of treason." But the Republicans were determined to share in the political capital that was being made on the eve of the elections, and once it was clear that Senator Humphrey's motion would pass, only one Senator—Mr Kefauver, a Democrat—refused to vote for it.

If the Humphrey amendment, which provides gaol sentences and heavy fines for membership in the party or those who in any way have co-operated with it, survives the meeting of Senate and House conferees on the measure, the President can hardly avoid vetoing the whole Bill, even though it contains provisions penalising Communist-infiltrated trade unions which he wants. The Humphrey amendment would make nonsense of anti-Communist legislation already on the books: the Smith Act, under which 81 Communist leaders have already been convicted, and the Internal Security Act of 1950. The Communist party and its front organisations could not be required to register themselves with the government if this amounted to self-incrimination, and the question of whether the Bill infringed constitutional liberties would occupy the courts for years.

The President may yet be spared the embarrassment of vetoing the most dramatic anti-Communist legislation passed by Congress, though only at the cost of accepting a hasty and ill-considered Bill. The House has voted only to direct its conferees to add the Humphrey amendment to its own measure, and they may prove more anxious to help the President than to carry out their instructions. The House version would outlaw the Communist party, not its members, and strip it of such rights as those of running political candidates and suing in the courts. Some sincere liberals think this would be preferable to the proliferation of legislation aimed at subversives, but capable of being used to restrict the liberties of all. Congress has acted in a way, however, that suggests it is less concerned with constitutional liberties or the practical effects, at home and abroad, of driving the tiny Communist party underground, than with scoring a master, if bi-partisan, electoral stroke.

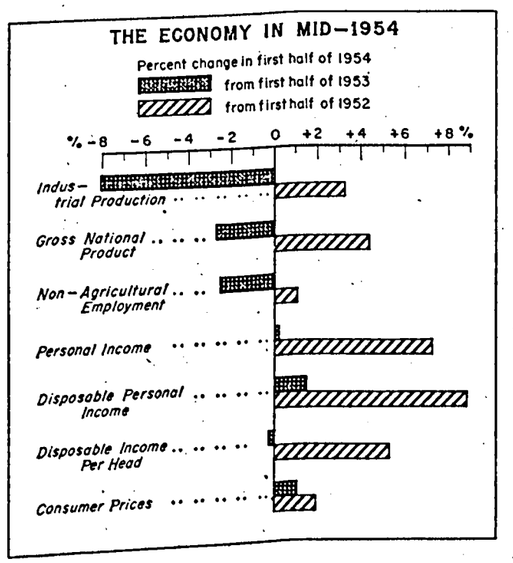
Burying the Recession

THE end of the decline in business which began last July has been officially announced by the President in a three-page document which is required reading and quotation for all Republican candidates in the congressional elections. The statement is not to be confused with the mid-year economic report which used to be issued by the Council of Economic Advisers, but has been abolished by the present Administration. It is a political document drawn up by the White House to prove that prosperity is no monopoly of the Democrats and to spike their big gun, the charge of Republican recession.

This charge was already losing some of its effectiveness in the face of the evidence that the Federal Reserve Board's index of industrial production was levelling off; for the last three months it has stood at 124 of the seasonal average for 1947 to 1949. The President was quite justified in pointing out, moreover, that although industrial production in the first six months of this year was running 8 per cent below the level in the first half of 1953, other and broader economic indicators, such as the gross national product, show much smaller declines, and the personal income figures show actual, though small, increases over the totals in 1953,

the most prosperous year on record. Even more satisfactory conclusions can be reached by making comparisons with the first half of 1952, which sets not quite so high a standard.

No one will quarrel with the President's attempt to set the over-advertised recession in perspective, although it is a pity that the only authoritative recent summary of economic conditions should try so hard to prove that the "performance of the economy thus far during this Administration has been better than during any earlier time." The



Democrats will certainly take exception to the effort to take credit for the boom in early 1953, which they consider a Democratic legacy that was dissipated by an ill-timed monetary policy. And no comparison of selected indicators over the past two years, however comforting, can conceal the embarrassing fact that, although unemployment has diminished slightly, it is still, at 5.1 per cent of the labour force, higher than it has been since 1949-50, the year of the Democratic recession before the Korean war. Unless business responds wholeheartedly to the inducements the Republicans have given it to expand, the cry of "economic stagnation" raised by the American Federation of Labour last week will be hard to silence.

Atoms for All

BY returning the compromise version of the Atomic Energy Bill to the House and Senate conferees for reconsideration, the Senate showed that it had not forgotten the lesson taught by the Democrats who prolonged the original debate on the Bill for two weeks. For their aim was to point up the danger that atomic energy might be developed for peaceful purposes in a way that would benefit private business interests rather than the American people as a whole. The filibusterers succeeded in modifying the Senate version of the Bill, but the first compromise reached in conference leaned unsatisfactorily far toward the House's side on the two key points—the licensing of patents and the distribution of electric power obtained from nuclear reactors.

The second compromise Bill, which has now gone to the President for signature, provides for the compulsory sharing, for a fee and for five years, of atomic patents taken out by private concerns. This is what the Administration itself had originally requested, but Representative Cole, the chairman of the Joint Congressional Committee on Atomic Energy, persuaded the House that such licensing would stifle private initiative and was probably unconstitutional in any case. The argument for compulsory licensing is that without it an unfair competitive advantage would be given to those large firms which have been managing atomic energy installations on behalf of the government and have therefore until now been the only private undertakings in this field. What the Democrats fear is that the present government monopoly of atomic development might be replaced by private monopolies which would restrict the application of nuclear research.

The final version of the Bill also provides, without qualification, for government agencies and other public groups to have first claim on electricity generated from atomic reactors. This is the "preference clause" which long ago became an established principle (although the present Administration is accused of undermining it) in connection with the distribution of power from another national resource, publicly-owned hydro-electric projects. This clause is held to be an essential check which holds down the cost of electricity to ultimate consumers.

Attention has been concentrated on these sections of the Bill because of their bearing on domestic political issues, but it is the other parts which are of international interest. The President is now permitted to give limited information on atomic weapons to allied countries. More important in the long run, he is also allowed to enter into "agreements for co-operation" with friendly countries and with international agencies on beneficial civilian uses of atomic energy; in particular other countries can be helped to build their own nuclear power plants.

Good Will or Bad?

ANY chance that the enemy assets seized by the United States during the last war would be returned to their original, mainly German, owners by this Congress was killed when President Eisenhower wrote to Dr Adenauer, denying that he supported any of the legislation proposed at present. These assets, now valued at about $500 million, were taken over by international arrangement after the war, instead of reparations, for the compensation of Americans who had suffered at the hands of the enemy. The President made it clear that, provided a satisfactory arrangement could be made for Americans whose claims had not yet been fully met, he would agree to some form of restitution for individual Germans of modest means; in fact the German government is already pledged to compensate such people although it has not done so.

But by implying that he did not favour the return of corporate assets the President took the steam out of the well-financed drive which pushed the Dirksen Bill through

the Senate Judiciary Committee last month. For it is presumed that the money for the lobbying came from those German industrial interests, particularly the chemical companies, which were the original owners of the major portion of these assets. There can be little doubt that the President's view would be widely shared if it was generally realised that the heirs of the notorious German cartels would be the chief beneficiaries were the assets to be restored and that the most important are probably the patents against which so much popular resentment was once felt.

The American chemical companies are, of course, well aware of this and they oppose any change in the present position, not only because they would have to pay royalties on patents which the government has allowed them to use free, but also because they fear that this additional capital would make their German competitors quite irresistible. Furthermore, under the Dirksen Bill, the former German owners would be paid the full present value of the assets, which have frequently appreciated substantially.

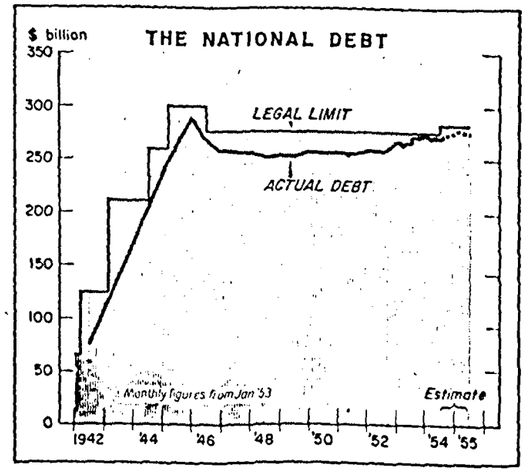
All these points were put forward by the Department of Justice, now responsible for the assets, as practical arguments against the Bill which it also opposed on the principle that international agreements should not be repudiated. The Department of State based its support of the Bill—this open disagreement between government departments demonstrates the confusion there still is about this problem—on the argument that to retain the German assets in peacetime was a violation of the sacred principle of private property rights and would also set a bad example to other countries in which Americans had financial interests. Finally, said Mr Dulles, Germany was now an ally of the United States and to return these assets would be an investment in good will. It does not seem to have occurred to the State Department that such a move might undermine the good will of other allies of the United States, for example, the British who liquidated their American investments during the war with no hope of restitution.

Debt's Repeat Performance

SENATOR BYRD specialises in forced budget balancing, whichever party is in control of the United States government, but as a Democrat he can hardly be sorry that it is a Republican Secretary of the Treasury whom he has been keeping on the brink of bankruptcy for a year—and who will probably be appealing to the Senator for rescue again next July. When last summer the Secretary, Mr Humphrey, asked Congress to raise the legal limit of the national debt to $290 billion, it was Mr Byrd who saw to it that the Senate ignored the request. He argued that the existing limit of $275 billion was high enough, provided that Mr Humphrey exercised the strictest economy and kept less cash than usual in the till.

The Treasury unwillingly managed to prove the Senator right, although it only avoided bumping its head last autumn by undignified and uneconomic stratagems. As a result, however, when Mr. Humphrey renewed his request this summer, tactfully deciding that he now needed only an extra $10 billion, half of it for one year only, instead of $15 billion, Mr Byrd rewarded him by recommending a rise of $6 billion in the debt limit. This has been accepted by both the Treasury and Congress.

This increase is just enough for the present, although it means the government will be inconveniently short of ready money in January. But the rise is only temporary, until the end of the current fiscal year in June, 1955, which means that the whole time-wasting performance will have to be repeated next year, unless the Administration manages to curtail its spending much more sharply than now seems likely. The difficulty arises partly because the annual budget is still showing a deficit, but mainly because the



greater part of the tax revenue is collected during the first six months of the calendar year; in the autumn and early winter the government's outgoings inevitably exceed its income and funds have to be borrowed to cover expenses. There will eventually be some improvement under the new Tax Bill, for it will spread corporate tax payments more evenly over the year.

Crossed Party Lines

FROM A SPECIAL CORRESPONDENT

BRITISH voters would be surprised, to put it gently, were they to find Labour candidates for Parliament pleading for votes on the ground that they had supported Sir Winston Churchill more consistently than their Conservative opponents. Yet many a Democrat standing for office this autumn in the United States will be found following the example of Representative Charles Howell, the party's candidate for the Senate in New Jersey, whose campaign literature asserts that "Congressman Howell has a better record of support in Congress for President Eisenhower than does his opponent, ex-Congressman Case."

With an eye on the Gallup public opinion polls, and free in this off-year election from the necessity of supporting their own presidential candidate, the Democrats will handle Mr Eisenhower much as the Whigs used to deal with the young George III in the days of his popularity: by saying he's a fine fellow, and all the blunders of his Administration are the fault of his bad advisers and false friends. In some states, where they face Republicans of the Taft or

McCarthyite persuasion, this strategy may work, even though most Americans probably retain a certain natural, if not entirely rational, inclination to reject the idea that what a Republican President needs most is more Democrats in Congress. But in New Jersey, the Republican standard-bearer is Mr Clifford Case, an attractive, youngish man and a devoted champion of the Eisenhower forces.

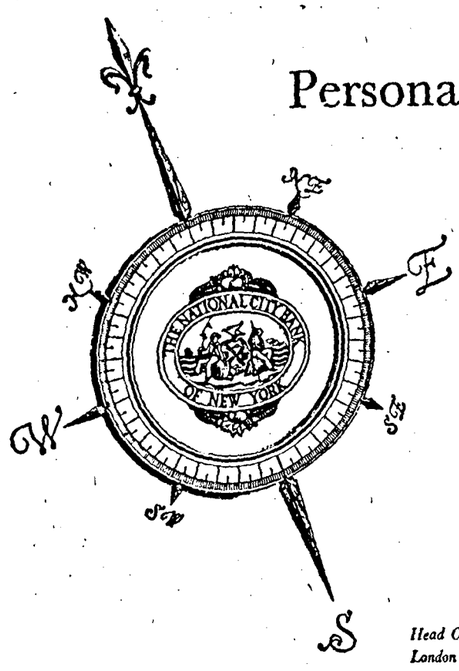
Democratic hopes in New Jersey rest on other factors. During the years of Democratic supremacy in Washington, New Jersey remained Republican for the most part, although it made an exception for President Roosevelt himself. The state Democratic party was then dominated by the unsavoury Hudson County machine of Mr Frank Hague, long the boss of Jersey City. All that Republicans had to do was to point with righteous horror at Mr Hague and his cohorts. But now the power of Mr Hague is broken, he himself is reduced to an uneasy retirement spent dodging subpœnas, and the Democrats of New Jersey are led by an extraordinarily personable and energetic young man named Mr Robert Meyner, who is Governor of the state. What is more, Mr Meyner was elected because by 1953 the shoe had passed to the other foot and the Republicans were under the shadow of suspected "crime and corruption." Their gubernatorial candidate was linked with a labour racketeer named Mr Joey Fay, a prominent resident in Sing Sing prison.

This year the Democrats will have the added assistance of the revelation, just after his death, that Harold G. Hoffman, a former Republican Governor and member of Congress, had embezzled $300,000 to pay for his expensive life in Washington. Mr Case's own integrity is beyond question, but he is likely to suffer. Governor Meyner has scheduled an investigation, involving many Republican state officials, of the Hoffman scandal. It will not help the Republicans to have these hearings going on throughout the campaign.

Mr Case's other difficulties arise because many long-time members of his own party organisation suspect him of lacking enthusiasm for party regularity. The incumbent Senator Hendrickson was induced to accept a federal judgeship to leave the way clear for the more impressive candidacy of Mr Case. But Mr Case, it is felt, is too sympathetic toward Mr Eisenhower's tendency, in distributing New Jersey patronage, to overlook the organisation stalwarts. The latter feel that they were winning elections before Mr Eisenhower emerged as a Republican at all, and refuse to admit that it was their actions, when they were in power, which placed New Jersey Republicanism under a cloud.

The most recent addition of fuel to this fire was Mr Case's uniquely forthright and detailed statement against Senator McCarthy, issued a few weeks ago, and viewed by angry party regulars as a kind of treason against Republican unity. Mr Case's demands for action against Mr McCarthy go beyond anything that Mr Howell has said, which may indicate a hope of embarrassing the Democrats, whose ranks include the strongest liberal opponents of McCarthyism. But, in the old Hudson County stronghold of Irish and Polish Catholics, they also include its warmest admirers. If Mr Howell is embarrassed he conceals it well, while such arch Republican newspapers as the *Newark Star-Ledger* are severely critical of Mr Case's tactics. President Eisenhower himself has had to come to the defence of Mr Case from his right-wing critics.

The problem of Democrats who are also McCarthyites is not peculiar to New Jersey. In Massachusetts it is far more acute. The traditional division in Massachusetts politics is between the Irish Catholics, centred in Boston,



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who have dominated the Democratic party, and the Protestant Yankee elements in the Republican party, which is led by blue blooded "proper Bostonians" but relies on the rural areas and smaller towns for mass support. Ethnic and religious considerations have outweighed national issues of policy, and this continues although the more prolific Italians are forcing the Irish Democrats to share their power, and although the Republicans are trying to broaden their support by including Jewish or other minority names among their candidates. The contest for the Senate seat this year is between Mr Foster Furcolo, who enjoys the priceless blend of Irish and Italian ancestry that spells magic to Democrats, and the incumbent, Senator Leverett Saltonstall, whose name and whose long, aristocratic countenance are perfect incarnations of Yankeedom.

Mr Furcolo, a moderate Trumanite member of Congress for two terms, has shown his fear of being too closely identified with the more uncompromising Fair Dealers and anti-McCarthyites by fighting shy of the Americans for Democratic Action, the *bête noire* in Massachusetts as elsewhere of Senator McCarthy's friends. Senator Saltonstall also has shown marked unwillingness to attack his colleague from Wisconsin. As chairman of the Senate Armed Services Committee, he carefully side-stepped any suggestion that his committee might be the proper place to investigate the clash between Senator McCarthy and the Army. In an interview last January, the most that Mr Saltonstall would say was that he did not "approve of all of Senator McCarthy's methods," to which he hastened to add that

> Mr McCarthy has been helpful in stimulating action in the government and in keeping us keyed up to the dangers subversives present to our life as free men.

Both New Jersey and Massachusetts are faced by economic problems more serious than those of most states. The decline of the textiles industry, the worries over the future of shipyards, the general flight of industry to the South have affected both states, although they are more serious in Massachusetts. Democrats think that this will help them, since they can offer more hope of active government assistance than can Republican defenders of strict *laisser-faire*. In New Jersey, however, it is difficult to detect much differences between Mr Howell and Mr Case on these "bread and butter issues"; if Mr Howell has the edge, it is because the Democrats generally stand for government intervention and the Republicans generally do not. In Massachusetts, the demarcation is clearer, for Mr Saltonstall's defence of the state's economy has not been very marked or very successful.

Both states serve to show how much the fortunes of Mr Eisenhower this November depend on regional, or even local, and personal matters, rather than on national divisions between Republican and Democrat. They also underline the extreme difficulty of dealing effectively with the problem of McCarthyism by the electoral process. McCarthyism is often described as "a cancer in the body politic." Most politicians feel that to attack it by direct surgery would be to risk injury to organs which, from their point of view, are vital—the Hudson County votes in New Jersey, the Boston vote in Massachusetts. Mr Case is an exception to this rule of timidity. A victory for him would be very damaging to the myth of Senator McCarthy's electoral omnipotence, but even if he is defeated, it may be the ghost of the unfortunate Governor Hoffman and his $300,000 in tarnished money, rather than Senator McCarthy, who is responsible.

Hotel Empire

New York.

BY its purchase of a controlling interest in Hotels Statler Co., Inc., the Hilton Hotels Corporation becomes the largest chain of first class hotels under a single ownership in the world. To the eighteen Hilton hotels, which include the Waldorf-Astoria and the Plaza in New York City and the Palmer House and Conrad Hilton (the nation's largest hotel) in Chicago, is now added the tightly knit standardised chain of eight Statler hotels (with two more under construction)—a combined total of 26 hotels providing 30,000 rooms. The Sheraton Corporation of America, the second biggest chain of hotels in the United States, with as many hotels as the combined Hilton-Statler chain, but some 10,000 fewer rooms, has also purchased two more large hotels within the last month, and was in the market for the Statler properties.

In the face of a declining rate of hotel room occupancy, rising costs of construction, maintenance, labour and food, and falling returns on investments in the hotel industry since the postwar boom, the fierce competition to acquire more hotel properties needs explanation. In the first place, it is the small town hotels for transient guests that have been the chief sufferers, not the large and luxurious city hotels, which are hardly affected by the "motels," the popular and convenient roadside accommodation for passing motorists. The three—now two—large chains all had a flourishing year in 1953.

Secondly, the advantages to be gained by the acquisition of more hotels, and their consolidation into a larger chain are of a wide variety. Debt laden properties can be refinanced on cheaper terms and taxes can often be saved by consolidating and "juggling" a larger number of properties. In the Statler case, however, the gains to which most attention is being given are the savings in operating costs, derived by combining facilities and eliminating duplication between two or more hotels in the same city, and by larger scale purchasing. It has been estimated that the savings—in such costs as laundry, food, advertising and administrative overheads—that would accrue simply from the joint management of the Statler and New Yorker, both now Hilton hotels, in New York, might reach $700,000 a year. Perhaps the most important feature of all, however, is prestige — the acquisition of the best, or at least the biggest. In particular the impetus given to the highly profitable convention business by the common ownership of the biggest and best hotels in town is especially important. The two most profitable hotels in the Hilton chain, for example, draw a third of their revenues from gatherings of trade associations and other organisations.

SHORTER NOTE

Last week the employees at the Studebaker Corporation's Indiana automobile plant voted by an eight to one majority to accept the end of the incentive wage system, with a resulting 14 per cent cut in their pay packets. They had rejected this earlier but the threatened shut-down of the plant made them change their minds. Another development which may contribute to a solution of the company's financial difficulties is the vote of the Studebaker Corporation's and the Packard Company's shareholders in favour of a merger.

The World Overseas

Across the Sea from China

BY A CORRESPONDENT

PRESIDENT EISENHOWER has now responded to the declarations of Chinese Communist intention to "liberate" Formosa by stating that any invasion of the island will have to get past the United States Seventh Fleet, since the orders to protect the island given to the navy by the Truman Administration at the beginning of the Korean war are still in force. Thus the two powers confront each other, each committed officially to courses of action which, if both are carried out, mean war. The question is naturally asked, therefore, whether Peking is bluffing and what is the nature of the "determined action" which it is proposed to take.

Even without the American naval protection, an invasion of Formosa from the mainland would be a hazardous undertaking if one assumes that the Nationalist forces would offer a resolute resistance. The Communists probably have enough shipping—mostly junks—to transport a substantial army across the intervening hundred miles of sea, but they would need a decisive command of both sea and the air to cover the expedition against interception by Nationalist naval and air forces and to keep it supplied after it had been put ashore. There is so far no certainty that the Communists have sufficient naval or air superiority to provide the necessary cover.

The greater part of the scanty Chinese navy stayed with the Nationalists after the end of the civil war, and new Communist naval units have not hitherto put in an appearance. On the other hand, there have been reports of Soviet-aided naval construction at Dairen, and the Soviet Union might at any time reverse the previous balance of naval strength by transferring some relatively powerful units to its Chinese ally.

The end of the Korean war and the armistice in Indo-China must have freed a large part of the Communist air force, which can now be concentrated on the Fukien coast and could be used to cover landings on the island, to soften up the defence by bombing and to drop paratroops. Even so, it would be difficult to make certain of victory; and a defeat, which would probably involve the loss of most of the expeditionary force, would be a severe blow to the prestige of the Peking regime. When to these risks is added the task of overcoming the American Seventh Fleet, which is provided with a powerful carrier-based air arm and can be reinforced by land-based air-power from Okinawa, the prospects of an attack are not such as to attract any military planner in his right mind.

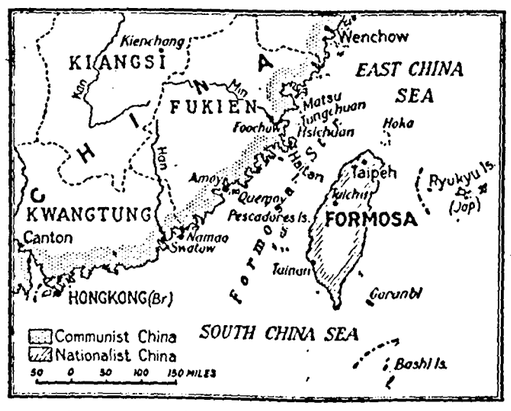
It may be, however, that the Communists are not thinking in terms of hard fighting, but hope by a mixture of menaces and inducements to disrupt the Nationalist resistance from within and present the world with a *fait accompli* through internal subversion. In view of the past record of Nationalist deflections, this must always be reckoned a possibility. On the other hand, those who followed Chiang Kai-shek to Formosa were precisely those who refused to surrender or pass over to the Communist side in 1949, and there is no evidence of conditions in Formosa today similar to those prevailing on the mainland during the civil war. The one thing, however, that might produce defeatism and disaffection in the Nationalist ranks would be a loss of confidence in American support. For if the Taipeh regime were left to fight alone against the whole power of Peking aided by Soviet armaments, its cause would be recognised as hopeless, and the more prudent Nationalist leaders would be concerned either to "work their passage home" with the Communists or to get away from the island before the end came. Any wavering in Washington would, therefore, almost automatically bring about a Nationalist collapse. But as long as the United States stands firmly on its declared policy of not allowing Formosa to fall under Communist control there is no reason for the Nationalists to despair of their capacity to hold the island indefinitely.

To get Formosa—unless the Peking leaders really contemplate an all-out war against the United States—is only possible for the Communists if they can somehow induce or compel the American Government to "uncover" it. There are signs that they hope to do this by isolating America diplomatically to such an extent that a reversal of American policy will be brought about. The United States is clearly in a weak position internationally on this issue. The American protection for the island was given unilaterally; it has never had either the support of Britain or any kind of endorsement from the United Nations. Today, not only is Britain, having recognised the Communist regime as the *de jure* government of China, legally precluded in any case from joining in a guarantee to Formosa, but British opinion is almost entirely sympathetic to Peking's case on this question. Indeed, there is no issue on which America might be involved in a war crisis with less moral or political support from London.

It seems likely, too, that Russia, or some other state of the Soviet bloc, is meant to bring up the question of Formosa at the forthcoming Assembly of the United

Nations. If the Chinese Communists can make enough show of fighting without going far enough to provide the Americans with a pretext for "massive retaliation"—which they could do by attacking, not Formosa itself, but the Nationalist outposts on Quemoy and other small islands close to the mainland—the situation can be represented as a threat to peace on which the United Nations must take action. America would be accused of armed intervention in China's internal affairs and thus of aggression against China. The position of non-Communist states which have recognised Communist China would then be a highly embarrassing one. Moscow and Peking may well calculate that either the United States would have to climb down—in which case the Communists would get the island—or the Western powers would be thrown into complete disarray, with perhaps fatal results for the Anglo-American alliance.

There are three possible solutions for the problem of Formosa. The first is to abandon it to Communist conquest. Britain has always been ready to do this, but it is unlikely that America can now be persuaded to do so. There are good strategic reasons for keeping the island in friendly hands, and no one has suggested an alternative refuge for Chiang and his followers. The second course, which has been canvassed in some quarters, is to make the island a ward of the United Nations. For various reasons



this cannot be regarded as a practical proposition; even if it were voted by the Assembly, it is difficult to see how Formosa could be administered by an authority on which Communist and neutralist states would have to be represented, and the violent antipathy of the Nationalists themselves to any such device would render it unworkable.

The third possibility is to recognise Formosa as a sovereign state on the grounds that it is effectively controlled by a government which repudiates the authority of Peking and cannot be dislodged except by the defeat of the United States in war, just as the People's Republic, which was helped to power by Russia and was protected by the Russian alliance during its intervention in Korea, cannot be overthrown except by the defeat of Russia. The British official doctrine is the "realist" one that recognition does not imply approval, but merely acceptance in international relations of an effective and apparently stable rule over a particular territory. It would be well for Britain to be consistent in its realism, for what is sauce for the Peking goose is sauce also for the Formosan gander.

M. Mendès-France's Economic Task

SPECIAL powers are normally requested by a government to deal with an emergency situation. In the economic field they are usually requested in order to relieve the treasury or to combat a balance of payments crisis. But as a speaker remarked during the debate over special powers for M. Mendès-France, the French treasury can cope with its immediate needs, prices are stable, production is picking up and the balance of current payments has actually shown a surplus in the first half of this year. This statement, however, was rhetorical. The speaker went on to say that, in spite of a considerable improvement, France's economic balance is still precariously maintained by favourable circumstances and American aid.

During the debate nobody seriously queried France's imperative need for structural changes and rapid expansion if it wants to put away the American prop and face the storms of the competitive world. M. Mendès-France has been entrusted with the task of preparing the convalescence without waiting for a crisis. The overall improvement, the increased confidence in the franc should help him in the urgent and tremendous task of adapting the French economy to the competitive conditions of the twentieth century.

The survey of last year's developments now published by the Bank of France, as well as figures of more recent progress, show both the extent of the recovery and the weakness of the present position. Last year price stability was obtained at the cost of industrial stagnation. In fact, both wholesale and retail prices went down slightly, though the level of retail prices was reduced only in the second half of the year (wholesale prices had been falling since February, 1952). Gross national product rose by a fraction to Fr. 13,800 milliard (about £13,800 million). The rise, however, was due entirely to a bumper crop, since industrial production actually fell by three per cent over the year. The use of the national product also changed: the share of consumption was increased and that of investment, particularly private, was reduced. There was a small rise in the purchasing power of the wage earners, but much less than demanded by the unions.

Dangers of a Budgetary Gap

Deficit on current payments fell from $659 million in 1952 to $220 million. Indeed, in the second half of the year France had a surplus of $56 million. The improvement affected all areas, with the notable exception of sterling; it was most marked in relation to the dollar area. The Bank of France goes on to issue a warning about deficit financing at home. Budgetery revenue covered about 75 per cent of the expenditure, leaving a gap of Fr. 652 milliard. In spite of American counterpart funds the government had to borrow Frs. 240 milliard from the Bank because the loans floated brought in less than in the previous year. The report recalls the dangers for the national economy of a budgetary gap and maintains that its coincidence with economic stagnation and price stability should not obscure the inflationary threat.

Further progress was made in the first half of this year when stability was no longer accompanied by stagnation.

Another bumper crop is expected, while industrial production has already picked up; it was six per cent higher in the first six months of this year than in the corresponding period of 1953. Prospects are bright for the steel, engineering and chemical industries, though not for textiles and coal. According to M. Faure, the finance minister, the average wage-rates have risen by 5 per cent between last November and April. Excluding direct aid, but including American expenditure on infrastructure, off-shore purchases and American troops in France, the balance of payments has been slightly favourable up to now.

All these are healthy signs, but there is a gloomy side to this picture. Over the last half-century France has lagged far behind in the European economic race. It is officially admitted that nearly one million workers earn less than £20 per month. The unions are clamouring for higher wages and will not be patient for very long. The budgetary deficit is estimated at Frs. 700 milliard this year and is likely to be much higher next. In spite of recent stability most French prices are substantially above the world levels. Last year, even with its record harvest, France was still importing more agricultural products than it shipped abroad.

Operating With Anaesthetics

In the first seven months of the current year the total French foreign trade deficit amounted to Frs. 120 milliard compared with Frs. 142 milliard in the same period of 1953. Yet, as M. Mendès-France pointed out, even this small closing of the gap would have been impossible without trade relaxations by France's partners, and if France does not proceed now with liberalisation it must expect retaliation. Finally, there remains the problem of American aid which is likely to be cut with the end of the war in Indo-China. M. Faure distinguishes between American expenditure (infrastructure, off-shore purchases, troops—altogether about $420 million in 1953) and direct aid ($350 million) and argues that a cut in the latter need not jeopardise the French position. Since it would be coupled, however, with freer trade and larger imports for an expanding economy, the claim seems somewhat overoptimistic.

The new programme must be viewed against this background. M. Mendès-France received a mandate to prepare the overhaul of the country's economy, to cut costs and prices, while fostering production. An operation seems inevitable if the French economy is to survive the shocks of competition. The Assembly decided to grant wide powers to its surgeon and his team so that it is performed under the best possible conditions and not without anaesthetics.

The word "decree powers" evokes the image of the gendarme, the ghost of dictatorship. Yet, it is really a problem of delegated legislation. True, the French Constitution declares that "The National Assembly alone has the right to legislate. It cannot delegate this right." It was soon realised, however, that an omnipotent but deeply divided Assembly prevents the government from fulfilling its function, and so the old compromise was revived of granting the government the power to act by decrees which must subsequently be ratified by parliament.

M. Mendès-France is not the first to be given such powers, though the scope is now greater than in the case of his predecessors. He can issue decrees relating to economic expansion; costs of production; purchasing power; foreign trade; and the Overseas Territories. The sub-headings cover such important problems as investment, subsidies, the fiscal system, distribution, etc. Indeed, the framework is so vast and so vague that in principle the government could do almost anything. But there are limitations. The decree powers are not valid beyond the end of next March. Though they become operative as soon as they are published in the *Journal Officiel*, the decrees become law only after ratification by parliament, to which they must be submitted before the end of next May. Finally, the powers end with the fall of the government and its economic policy can easily be transformed into a question of confidence.

Still, as long as it is assured of parliamentary backing, the government can wield its weapons with vigour. The present team has repeatedly asserted that it does not want to use coercion. In fact, it does not need to be a gendarme; it may simply refuse to be a nurse. By lowering trade barriers, cutting subsidies and reducing privileges the government could launch a competitive wave that would threaten to submerge marginal enterprises. These will then run to the state for assistance, and the protector can obviously select and impose conditions.

Thus, the projected "reconversion fund" looks like being the principal weapon in the official arsenal. This also shows the chief brake on official action—lack of money. Not many francs can be spared now for the fund, while it is specified that decree powers cannot be used to alter next year's budget. The decrees are destined merely to smooth the running of the machine, to prepare the ground for the real drive. In the budgetary proposals the government should show its hand more openly. It has also promised to face the Assembly with its long-term plans, including a crucial programme for the reduction of unproductive expenditure. The doctor has been given a free hand to get started on the preparatory stages of the cure; but the nature of the treatment cannot be judged before he has signed any prescriptions. M. Mendès-France must now be praying that the EDC affair will not knock the pen out of his hands.

Russia's New Granary

AFTER months of gloomy reports from the agricultural front Moscow now claims its first successes in the battle for grain. According to a communiqué published this week by the central committee, the drive for land reclamation is running ahead of schedule. Originally it was intended to bring 13 million hectares of virgin soil under cultivation by next year's sowing in Kazakhstan and Siberia. It is now claimed that this area has already been ploughed and that two million more hectares will soon be added. Furthermore, it is now planned to conquer another 13 million hectares in 1956, and it is asserted that altogether some 50 million hectares of virgin and waste land could be reclaimed in the next few years.

The figures are staggering, but they seem to indicate that what began as an emergency operation is now being transformed into a long-term plan. These distant and inhospitable lands are to become the Soviet Union's new granary. This is why praise is mixed with warnings and exhortations. Building and transport are lagging behind and, though 90,000 tractors (in 15 hp units) have already been sent to these areas, progress in many places is hindered by

lack of equipment. 150,000 people have been induced up to now to face the pioneering conditions, but a new wave of eastward migration is being prepared. Even according to the original plans, reclaimed land was to contribute about 20 million tons of grain by next year. It now appears that the Kremlin hopes to get some 40 million tons from this source by 1956, or nearly one-third of the present total output.

The results are still to be seen and the real test will come in the next two years. In the current one planners cannot expect much relief from reclaimed land, while nature seems once again to have been unfavourable to the new regime. Little is known about the crop prospects throughout the country, but it has been admitted that winter was long in leaving and sowing had to be delayed by as much as a month in many regions. Weather conditions subsequently improved, though heavy rain, particularly in Northern Caucasus, may have damaged crops. Anyhow, a bumper harvest, which could help to overcome the agricultural crisis, seems unlikely. In the circumstances, the success of Nikita Khrushchev's drive to conquer new land becomes even more important.

A Smaller Greek Army

FROM A CORRESPONDENT IN ATHENS

NOW that the Greek government is preparing its budget for 1954-55, it is being forced to make up its mind what to do about the pressing problem of its defence expenditure. To keep the military credits at roughly last year's level as some people suggest, is no solution, not even when the recently agreed reduction of the armed forces by 30,000 men has been carried out. For this reduction will be more than compensated by three new factors; the rise in internal prices after the devaluation of the drachma; the new expenses arising out of contributions to the Nato infrastructure programme as well as from new deliveries of military equipment; and finally, the need to find money to compensate those whose land has been expropriated for the bases granted to the United States under the agreement of last October.

It is not, therefore, surprising that the reduction in the size of the armed forces is not felt to provide any real easing of the government's financial problems. What is surprising, on the contrary, is that the Papagos government should have taken so long to face the realities of the situation and that it should not have taken steps — for instance when negotiating the bases agreement with the Americans last year—to consult its allies about its difficulties and the proper means of overcoming them.

The policy of arming "to the limit of the possible" has by now been largely discredited. It could hardly be otherwise in a country which, well before any in Europe, was making a military effort that absorbed, according to the Nato formula, more than 35 per cent of its budgetary revenues and 7 per cent of its national income. These figures, moreover, give only a partial picture of the weight of military expenditure, since they do not include a whole series of other closely-related expenses, connected with the police, war pensions, the victims of the Communist guerillas, and other special burdens.

Greece cannot go on with its present military effort without a serious reduction in the modest reconstruction plan that the government is now battling against wind and weather to carry out. Any reduction in the investment plan for the present year would mean abandoning all hope of putting the Greek economy back on a stable footing in the immediate future and would be deeply resented by public opinion as an unjust sacrifice.

Many people are consequently coming round to the military doctrine put forward by Lord Montgomery when he visited Athens in 1952—the idea of a covering shield strong enough to ward off any surprise attack, buttressed by a trained reserve that could be rapidly mobilised on a local basis. At the time this idea was received coldly, especially in military circles; but now it is at the back of a great many people's minds.

Two difficulties, however, seem to make it particularly difficult to put Lord Montgomery's ideas into practice in Greece. The first is to find enough troops to form the covering shield. This would not be strong enough if, according to the proposals attributed to the Greek government, the total number of troops is reduced to 75,000, of which about 50,000 would be needed to man the support and auxiliary services. The second difficulty arises out of the geographical nature and the size of the northern part of Greece. The mountain ranges running from north-west to south-west create difficulties of command and supply for large military units; while the extent of the whole mountain area, running as it does right up to the Turkish border, makes it difficult to reduce the number of troops beyond a certain point. This is more than a local defence headache for the Greeks; it involves the whole problem of co-ordinating Greek, Turkish and Jugoslav defence plans, and especially of the defence of the Straits. This, however, will be easier to solve now that the Treaty of Bled has been signed.

Glut on the Labour Market

The Greek government must also bear in mind that the disbanding of a large number of young men would make the country's labour problems even worse. There are in any case 80,000 newcomers entering the labour market each year. Sixty per cent of the agricultural population is employed during only 100 to 170 days each year, while in the towns unemployment is a constant burden on the public funds, making necessary increased taxation, which in its turn raises the already high production costs still further. The government is now attempting, although timidly, to deal with this labour problem; a sudden influx of 50,000 to 75,000 young men on the labour market might seriously jeopardise its plans.

The problem is clearly very complicated and it is hardly fair to reproach the government for hesitating before it makes up its mind what to do. It would be possible to make a few economies in the present disposition of the armed forces; but a real alleviation of the problem is only possible if Greece's allies are willing to lighten the load of its defence budget by themselves paying for some of the infrastructure programme and for the purchase and maintenance of some of the Greek army's equipment. In a country such as Greece where it is money not manpower that hampers the defence effort, there should not be any insurmountable difficulties in such a solution. In any case it would clearly be dangerous to let the Greek people get the impression that the plans of Nato, which they now warmly support, are destroying their right to a decent livelihood.

Mythical States in Indo-China

BY A CORRESPONDENT

IN the sprawling, untidy kind of war that has beset Indo-China, it is easier to order a cease-fire than to enforce it. Where disciplined regular forces confront each other, the difficulty is relatively slight: it is the irregulars that are likely to give trouble. As last week's White Paper on the truce agreements recalled, fighting was supposed to end in Cambodia and Laos on August 7th and 6th respectively. There are no reports to suggest that shots have been fired in anger in either country since those dates, but the real test—the disarming of the irregulars—is still to come. In Cambodia, the "Khmer" resistance forces are to be demobilised on the spot within thirty days of the cease-fire date. In Laos, the agreement provides for the regrouping and demobilising of the "Pathet Lao" forces, but maintains a discreet vagueness about the deadline in view of the character and history of the mythical states of "Khmer" and "Pathet Lao." It will be surprising if the demobilisation does not run into trouble in both states.

Few people outside Indo-China, and not very many inside, had heard of Khmer and Pathet Lao until Pham Van Dong, Molotov and Chou En-lai produced them like rabbits out of a top hat in the early days of the Geneva conference. Each is a Communist creation, an alien growth foisted by Vietnamese outsiders upon relatively weak anti-French movements in Cambodia and Laos. In their present form, they are somewhat less "nationalist" in character than the Viet Minh, which can at least claim to be Vietnamese through and through, in spite of outside material aid. In the case of Cambodia it has long been a paradox of the country's political life that so many of its leading figures should be partly Vietnamese in descent: a paradox made the more striking by the traditional hostility the easy-going Cambodians are said to feel towards their aggressive and energetic Vietnamese neighbours.

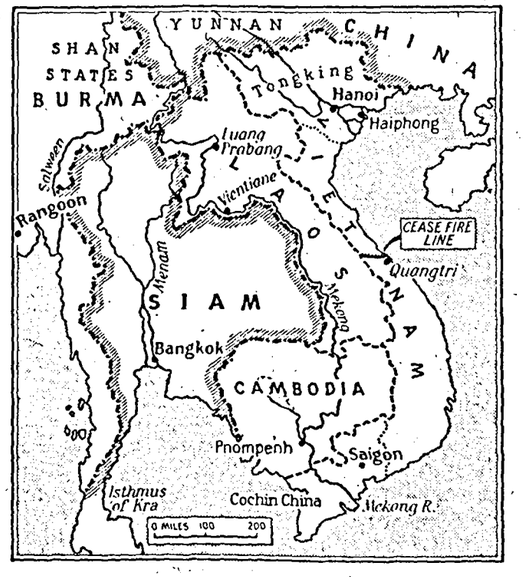
Paradox Personified

Son Ngoc Thanh, Cambodia's *âme damnée* and without exception the best-known living Cambodian, is the paradox personified. Of mixed Vietnamese, Chinese and Cambodian origin, his very name is Annamite; yet he is the most prominent leader of the Khmer Issarak ("Khmer Freedom") movement. In 1936 he was editing an anti-French paper and in 1942 he obtained Japanese backing for a plot to overthrow the French administration. The plot failed and he was condemned to death, but by this time he was safe in Tokyo. His hour came in March, 1945, when he returned to Pnom Penh in a Japanese aircraft and wearing a Japanese Army uniform.

His triumph was as short-lived as the success of the Japanese *coup de force* in Indo-China. He was Prime Minister for about six weeks, until General Leclerc's forces arrested him on September 15th. His supporters melted into the bush and formed roving bands with a vague nationalist programme: they called themselves the Khmer Issaraks. As for Son Ngoc Thanh, he was condemned to 20 years' forced labour for "threatening the external security of the State." But the "forced labour" was in fact a tolerant house arrest at Nice; and late in 1951, in a quixotic gesture of conciliation to Cambodian nationalism, the French released him. On October 29th he returned in triumph to Pnom Penh. But six months later he left Pnom Penh and joined his followers in the bush; and he has been there ever since.

Whatever the nationalist pretensions of the Khmer Issaraks, they soon degenerated into mere banditry. A more serious factor, however, has been their infiltration by the Viet Minh, who were not slow to recognise the trouble-making possibilities of these wandering anti-French gangs. Son Ngoc Thanh's group has been operating in north-western Cambodia, and has been relatively, though not entirely, free from Viet Minh infiltration. In the south, however, a relative of his, Son Ngoc Minh, built up a "Khmer Issarak" movement with Viet Minh help during Thanh's exile. It was Son Ngoc Minh, not Son Ngoc Thanh, who was named at Geneva as the prime minister of the Khmer "state."

Of the original Khmer Issaraks, very few are still in open rebellion. The patent success of King Norodom Sihanouk in winning independence from the French brought more than 6,000 of the original rebels back from the bush in late



1953 and early 1954. Only a few hundred apparent irreconcilables under Son Ngoc Thanh himself remained in a nationalist movement whose cause had been won by other means than terrorism. In addition, there were approximately the same number taking their orders from Son Ngoc Minh, together with some 8,000 Vietnamese Communists. How many of these will peacefully hand over their arms within thirty days remains to be seen.

The story of "resistance" in Laos is closely parallel to that in Cambodia. Here again, the Japanese *coup* of March, 1945, provided the ideal conditions for rebellion. Four princes of the royal house were concerned in the movement: Pethsarat, Khammao, Souvanna Phouma and Souvannouvong. The movement itself was called Lao-Issarak, a further parallel with Cambodia. In Laos also the Issaraks obtained Viet Minh aid, and a Communist-sponsored government was set up under Prince Pethsarat,

at Vientiane, the administrative capital of Laos. When the French reoccupied Laos, Pethsarat and his government fled to Siam. In the years that followed Laos remained, comparatively, an oasis of peace, disturbed only occasionally by Viet Minh guerrillas.

It might, indeed, have remained like this if the Viet Minh regular army had not invaded the country in April, 1953. It is now clear that the main purpose of this attack, apart from its "headline" value in terms of victory over the Franco-Laotian forces, was to set up a Laotian "resistance" government. In the event, the Viet Minh captured the province of Sam Neua, and Souvannouvong, the only one of the four rebellious princes who had not given up the struggle, was proclaimed prime minister of the state of "Pathet Lao" in the "liberated" area. Of the other princes, Khammao and Souvanna Phouma had returned under an amnesty and Pethsarat had retired to private life.

It is doubtful whether Souvannouvong's "government" in the sparsely populated hill and jungle country has ever consisted of anything more that Viet Minh cells in the villages. There are no reliable estimates of the military strength of his movement, apart from Viet Minh support. Its political strength has been boosted by his association with the "Free Thai" movement in the Thai autonomous regions in the Chinese province of Yunnan. Like another exiled politician, the Siamese, Pridi Phanomyong, who was recently brought forward by the Chinese in Peking, Souvannouvong is a leader of the movement for a "Greater Thai Federation," which would embrace Pathet Lao, the Thai areas of Yunnan, Siam and the Shan part of Burma. It seems doubtful whether this dream of grandeur will keep many of his followers by his side now that fighting has officially ceased in Laos.

Australia Looks to its Defence

FROM OUR MELBOURNE CORRESPONDENT

IN committing Australia to support the proposed South East Asian Treaty Organisation (Seato), the Prime Minister, Mr Menzies, has pledged his country to accept for the first time in its history military commitments in advance of the actual threat of war. The Commonwealth Government clearly realises that participation in the proposed regional defence organisation would be meaningless unless it were supported by firm military commitments.

The Australian Government believes that the setting up of Seato is the only effective way of meeting an overt and direct act of territorial aggression from Chinese Communist forces. The future shape of Seato has not yet been decided nor has it been agreed where the "thus far and no farther" line shall be. But Mr Menzies sees it as an even chance that before long Australia may have to face the possibility of the Communist frontier lying not on the 17th parallel, but on the southern shores of Indo-China, within a few hundred miles of the Kra Isthmus.

This possibility does not make inevitable a direct act of aggression in South East Asia such as would bring the mechanism of the collective organisation into operation. What is much more likely in the foreseeable future is that the Communists will intensify their infiltration tactics in the territories that have not come under their control, where poverty and low living standards offer them a fertile ground to implant their philosophy. It is against this activity that the proposed regional defence organisation will have no effect.

Moreover, no threat of military action will save the Asian peoples from Communism unless, in President Eisenhower's dictum, they want to help to save themselves. The Colombo group of powers has shown no great enthusiasm for the proposed Seato pact. Memories of "colonialism" are still too fresh in the minds of these newly-liberated countries for them to welcome suggestions to join Western powers in an alliance against other Asian countries. For these reasons, only Pakistan has responded to Australia's appeal to the Colombo powers to join the proposed collective pact.

The Fight Against Poverty

The real problem in these countries is the appalling standards of living and the despair and backwardness which are to be found in Asia at any time but which have been tragically aggravated by years of war. The Colombo Plan was an earnest of Australia's desire to help raise Asian living standards, but measured against the money which it is providing annually for defence, its contributions under this head are abysmally low. Australia is spending about £200 million annually on defence, which will be certain to rise as the country prepares to meet its new commitments; but it is spending at the rate of only £3 million a year on economic and technical aid to the Colombo group of countries. Many people in the Commonwealth feel that a gigantic plan of economic aid to the countries of Asia and South East Asia would do much to halt the spread of Communism. But so far, nothing that Australia has done in its preliminary moves to get Seato going has suggested any effective political and economic counter-offensive against Communism.

What is the position of the Anzus pact in relation to Seato? It might seem that Anzus itself gives Australia and New Zealand a firm undertaking that the United States, the one power in the Pacific area really able to give effective military aid, will come to their support if attacked. But Australia does not get all it wants from Anzus. First, it wants to stop the aggressor before he gets to its own shores. Anzus will not enable that to be done. Secondly, the looseness of the Anzus pact does not give Australia the full measure of security that it wants. For instance, whereas an attack against one of the Nato parties shall be considered an attack against them all and each will assist the party so attacked by taking "such action as it deems necessary including the use of armed force," the corresponding obligation in the Pacific pact is much weaker. Here each party agrees that it would act to met a common danger "in accordance with its constitutional processes" which could well mean that the enemy would have attained his objectives before the constitutional processes began to work.

Australia hopes that it will be able to gain both Western and Asian support for the proposed pact. The pledge of military support is a earnest of co-operation with the United States. But if the Asian countries are to be saved from Communism, the assault must be carried on to the political and economic front, particularly the latter; otherwise, the intentions of Australia and its friends could only be misunderstood by the Asian peoples.

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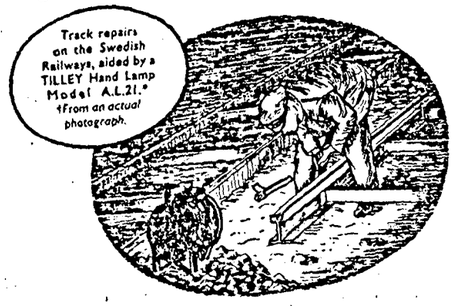
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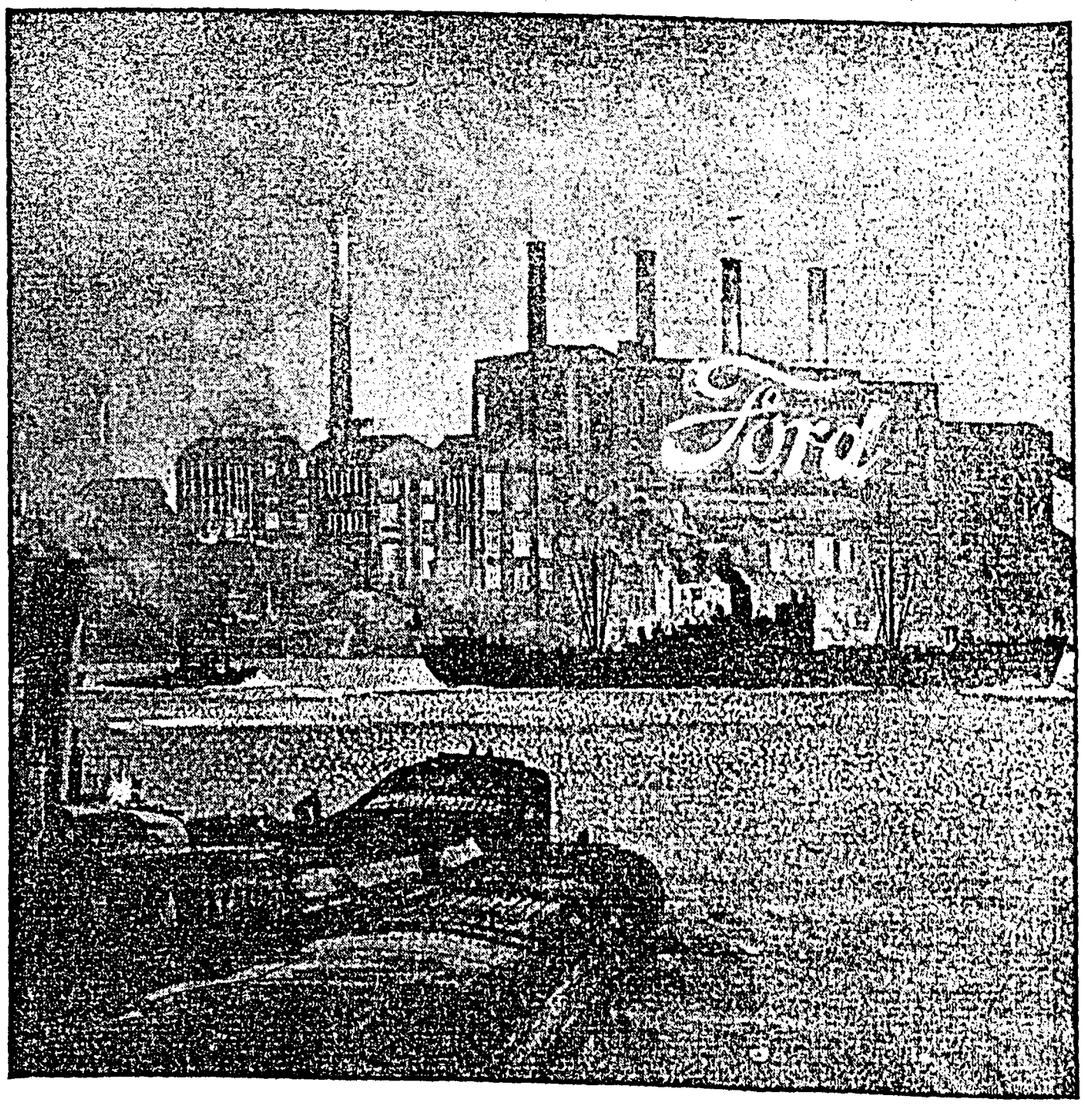
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THE BUSINESS WORLD

The Price of Drugs

A MEETING was held at the Ministry of Health last week to discuss the price of drugs, from which the representatives of the pharmaceutical industry left in a thoughtful mood. They feel, with some reason, that the present discussions may set the pattern of the industry's economy for years to come. Decisions on new capital projects are being held in suspense until the outcome of the talks is known. If any one thing is certain in this complicated pattern of negotiation, it is that the Ministry of Health has not the slightest desire to bring about that result. But the Ministry is under a definite obligation to make "satisfactory" price arrangements with the manufacturers. This involves the definition of some standard costing formula by which a "satisfactory" price can be measured; but the structure of the industry is so complex that a mutually acceptable formula may be difficult to find.

This is not the first time that a Government department has disagreed with its suppliers over what constitutes a fair price. The history of wartime and postwar contract costing provides examples galore. But from the outset of the national health service the sale of drugs has been complicated by certain features about their production and marketing. The industry recognises three distinct classes of product:

1. *Basic drugs.* These are listed in the British Pharmacopœia, which is periodically revised to include any new drugs that have proved their value and to discard outmoded ones.

2. *Proprietary drugs.* The industry makes and sells drugs under brand names. These are defined as "proprietary" drugs to distinguish them from the standard form of the drug as given in the B.P. (or its counterpart, the National Formulary); and the industry calls them "ethical proprietaries" to distinguish them from the nostrums advertised to the self-medicating public.

3. *Drugs advertised to the public.* The sole criterion for deciding in which category a drug falls is the way in which it is advertised. "Ethical proprietaries," although many of them can be bought by the public, are advertised solely through medical media.

When a new drug is developed, it is marketed in a proprietary form. In due course, when its medical value is proved, it will appear under a standard name in the B.P., though it may continue to be available only as a proprietary. A manufacturer looks on his proprietary products as his profit earners; they have incurred the heaviest research costs, and they are expected accordingly to bring in the bigger returns. This year, the National Health Service will spend about £17 million on proprietary drugs and £10 million on standard drugs. Proprietaries figure on 28 per cent of all prescriptions, and the greater proportion of the industry's £30 million of exports consists of proprietary brands.

★

The argument with the Ministry of Health over the cost of proprietaries started in 1949, when the Select Committee on Estimates first gave voice to the demand often repeated since, for "such regulations as are practicable to prevent excessive or wasteful prescriptions." The result of this and of subsequent reports in the same vein at one time seemed likely to start a witch hunt against proprietary drugs. It was suggested in some quarters that doctors should cease to prescribe them at all. The matter was put in the hands of a committee formed under the chairmanship of Sir Henry Cohen and appointed, not by the Ministry of Health, but by the statutory body responsible for advising the government on the running of the national health service. The prescribing of those preparations that were advertised to the public was barred and the

committee turned its attention to the 6,000 "ethical proprietaries" with the object of deciding whether they were therapeutically worth their cost.

The committee drew up six categories of drugs. Into the first went the new proprietary drugs for which there was no standard equivalent in the B.P. Into the next three went proprietaries and compounds and variants of them that were not, in the Committee's view, so superior to the standard equivalents that they merited a place in the first category. The Committee suggested that while drugs in the first category could be freely prescribed, those in the second, third and fourth should be prescribed only if the Ministry could reach "satisfactory" price arrangements with the manufacturers. In the last two categories, the Committee lumped all the proprietary drugs that should not, in its view, be prescribed at all.

The industry has been highly critical of the procedures involved in the performance of this exceedingly delicate duty of classifying drugs. Certainly, now that the work of classification has been finished and the Ministry of Health has started to act on its instruction to discuss prices of the proprietary drugs in the middle categories, some interesting facts have come to light. These suggest that there is less difference between the price of drugs in standard and in proprietary form than most of the critics had supposed.

A revised price list circulated to doctors provides a direct comparison of the prices of 121 drugs in their proprietary form and in the form of their standard equivalent. The accompanying table has been prepared from this list, which shows that 53 of the proprietary drugs cost less than their standard equivalent (the difference in several cases being the dispensing fee); 63 cost more; and in five cases the cost is identical. This list confirms the industry's contention that proprietaries are not inevitably more expensive than the standard equivalent.

There still remains a substantial number of cases where the cost of a proprietary is the higher. The Ministry of Health has asked for and in most cases received detailed costs for about 90 of the most commonly prescribed proprietaries. In a few cases the difference between the cost of the proprietary and its standard equivalent seems so wide that it is difficult to justify. In at least two cases of this kind, the Ministry of Health has taken the drastic step of asking doctors not to prescribe the products. But in the general discussions with the industry, the Ministry will be arguing a more controversial case. Several of the reputable pharmaceutical manufacturing companies have already complained of what the chairman of Distillers this week described as the "application of rigid and unimaginative principles of accountancy" to pharmaceutical costs. The successful proprietaries have to cover not only their own research costs, but also the cost of unsuccessful projects in which a company sinks its funds. It is perhaps not widely appreciated that pharmaceutical production is a highly speculative venture and six figure losses on a project are not unknown. It also has to cover the research and production costs of some of the medically important drugs that are not highly profitable because the conditions they treat are comparatively rare. All these facts the Ministry recognises and there is no serious disagreement about the need to consider the company's whole balance sheet in relation to the costs of one product. This has not, however, prevented disputes about the allocation of research costs, nor has the industry always been satisfied about the Ministry's view of allowances for plant obsolescence.

A clash of opinion is also expected over the selling costs of proprietary drugs. The only source of orders for such products is doctors' prescriptions, and it is not surprising, therefore, that sales campaigns to keep a proprietary name before the medical eye are considered a necessary and regular part of costs. In some instances, these involve extensive advertising through the medical press, backed up by literature and samples mailed direct to the doctor and sometimes even by personal visits to his surgery. Companies have used tactics of this kind to familiarise doctors with products that might not be able to stand comparison, on strictly therapeutic grounds, with other competing preparations. The industry as a whole frowns on excesses in salesmanship, which bring it as much discredit as overcharging and which frequently explain why some proprietary products do cost noticeably more than their standard equivalent. Yet the industry would never agree that average selling costs are excessive. For example, the Monopolies Commission doubted whether the advertising expenses of the insulin manufacturers could fairly be justified—though they amounted to 4 per cent of total costs, and other selling and administrative expenses to slightly less than 17 per cent, and might not have impressed an outsider as being unreasonable.

The industry's main case is weakened by the excesses of one or two of its members, and by certain doubts about the selling expenses of some of the companies that concentrate largely on wholesaling. To manufacturers whose energies are mainly concerned with research and production, the profits made on these operations appear high. Because there are doubts and uncertainties of this kind, few people believe that a cost investigation by the Ministry of Health is unnecessary; what the industry does fear is the emergence of a rigid formula that might be applied to each and every proprietary product irrespective of circumstances. The financial risks of pharmaceutical production are considerable, not only in research but also in production, for a product can become outmoded or a process superseded long before the plant to produce it has been written off. It is difficult to imagine a formula that will satisfactorily embrace all these elements in the selling prices of proprietary drugs and a periodic check on costs such as the one now in progress may prove the better way of protecting the public purse.

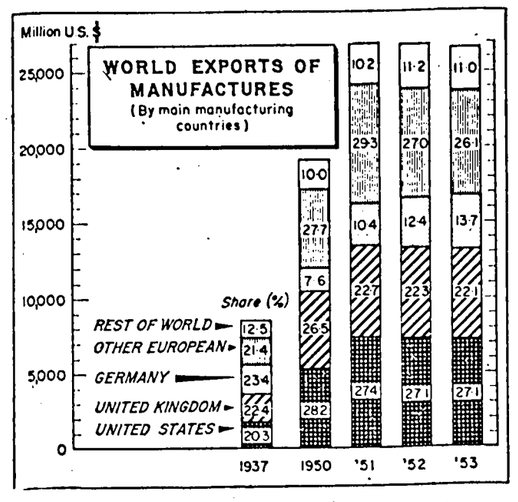
DIFFERENCE BETWEEN PRICES OF COMPARABLE PROPRIETARY AND STANDARD DRUGS

Proprietary Preparation	Price s.	d.	Standard Drug	Price s.	d.	+or− d.
Chloromycetin Capsules*	41	7	None			
Metatone	3	8	None			
Sulfasuxidine Tablets, 0.5G.*	5	1	Tab. Succinylsulphathiazol	5	9	− 8
Soneryl Tablets, 1½ gr.*	1	8	Tab. Butobarbiton	2	4	− 8
Estigyn Tabs., 0.05 mg.*	2	1	Tab. Aethinyloestradiol	2	6	− 5
Thiazamide Tablets, 0.5G.*	2	2	Tab. Sulphathiazol, B.P.	2	7	− 5
Dolantal Tablets, 50 mg.*	4	0	Tab. Pethidin Hydrochlor.	4	4	− 6
Neo-Hombreol M. Tablets, 5 mg.	7	4	Tab. Methyltestosteron	7	8	− 4
Sulphamezathine Tablets, 0.5G.*	3	2	Tab. Sulphadimidin	3	6	− 4
Cyclonal Tablets, 0.25G.*	3	8	Tab. Hexobarbiton	3	11	− 3
Pabestrol Tablets, 0.5 mg.*	1	3	Tab. Stilboestr.	1	5	− 2
Davitamon B.1 Tabs., 3 mg.*	1	8	Tab. Aneurin. Hydrochlor.	1	8	
Dephadren Tablets*	1	2	Tab. Dexamphetamin. Sulph.	1	1	+ 1
Luminal Tabs., ¼ gr.*	1	6	Tab. Phenobarbiton	1	4	+ 2
Redoxon Tablets, 50 mg.*	2	8	Tab. Acid. Ascorb	2	5	+ 3
			Tab. Phenobarbiton. et. Theobrom.	2	2	+ 3
Theoba "Tabloid"*	2	5	Tab. Papaveret	1	10	+ 4
Omnopon Tabs., 1/6th gr.	2	2	Tab. Hexobarbiton	3	11	+ 6
Evipan Tabs., 0.25 G.*	4	5	Caps. Vitaminor	2	2	+ 2 10
Abecedin Tablets	5	0	Ext. Hepat. Liq.	9	7	+ 5 4
Hepatex Oral	14	11	Neb. Adrenal et Atrop	2	0	+ 13 2
Riddobron Inhalant	15	2				

* Identical with standard equivalent. Source: Costs of National Formulary and Proprietary Preparations

Britain in the Export Race

THE spectre of Britain pricing its exports out of world markets has not been flapping its shrouds too ominously this year. The trade figures continue to impress; the buyers' market seems less competitively ferocious than many had feared (and there are some markets and some manufactures in which the seller still has the better of the argument); and British industry has astonished itself by its ability to absorb higher wage rates. Whether it would have done so well if recession had hit the United States hard and set the rest of the world on a deflationary course is another question. The substantial improvement in British exports over the past twelve months owes a great deal, directly and indirectly, to the easy policy pursued by the managers of the American economy to avoid major recession. Before any bouquets are handed round, it must be remembered that Britain has been favoured by a general recovery in world exports of manufactures; exports from other West European countries as well as Britain have been buoyant.



In the second half of 1953, compared with the first half, exports of manufactures from the ten main manufacturing countries rose by three per cent to $13,540 million; they appear to have maintained that higher level without making much further headway in the first half of this year. British exports of manufactures (which make up four-fifths of this country's exports) rose by 4½ per cent in the second half of 1953, to $3,000 million; and they have since risen by over two per cent, to $3,070 million, in the first half of this year. Exports of manufactures by other West European countries, apart from West Germany, rose by three per cent in the second half of last year to $3,530 million, and showed little further improvement in the first half of this year. German exports jumped by nearly 20 per cent in the second half of last year to $1,980 million (two thirds of the British figure) and have been running at much the same total this year. The only decline in exports last year was from North America, though exports from the United States have been picking up in the second quarter of 1954.

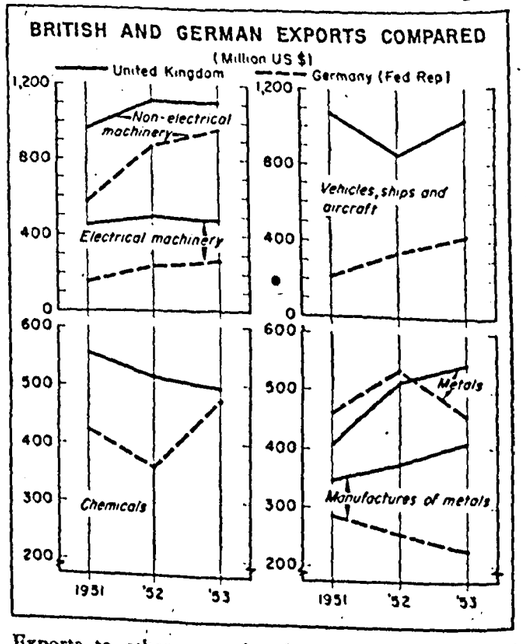
Another sign of the resilience of British exports in the face of growing competition is that Britain has not lost ground to the rest of the world in the last three years. After reaching a fortuitously high figure 26½ per cent in 1950, Britain's share of world exports of manufactures has been almost constant at about 22 per cent. This is no cause for excessive enthusiasm, for it is virtually the same share that Britain held before the war. In value world exports have multiplied three times since then. But it is useful to remind the pessimists that Britain still supplies more than one-fifth of the world's exports, and useful to remind the critics that the sterling area, to which half of Britain's exports go, is not as cosily padded a private trade parlour as they sometimes suppose. The past year's recovery owes much to the progressive relaxation of import restrictions in established markets in the Commonwealth, but the larger shipments to these markets have not been at the expense of sales to some other important areas. British

manufacturers appear to have kept up the efforts made in 1952, when the drastic restrictions imposed by the Commonwealth forced them, as exhortation never could, to spread their net wider.

Will this British share in the world's sales of manufactures be held or will it be squeezed by the United States or Germany or Japan? The share of the United States has held steady in recent years at about 27 per cent, compared with 20 per cent in 1937. The share of European countries other than Germany has been falling, but at 26 per cent it is still well above the prewar share of 21½ per cent. Although Germany's share has nearly doubled in the past four years to 13½ per cent, it is not much more than half the prewar share for Germany as a whole. Japan's share, at four per cent, is also little more than half that of prewar.

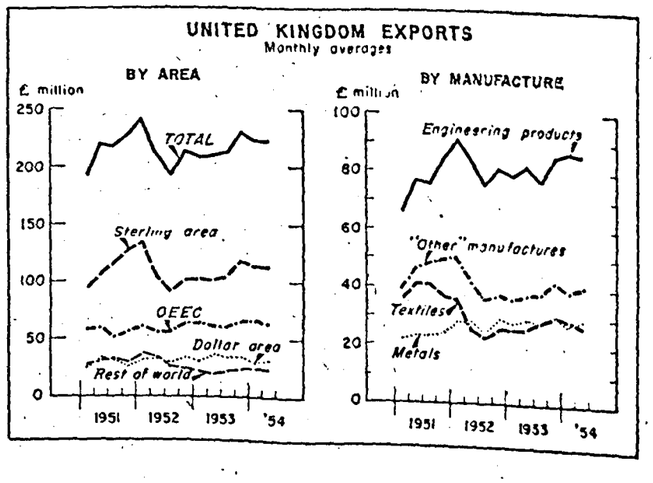
This is not an easy time for prophecy. British manufactures are now taking the measure of their foreign competitors, and the next few years will show whether the counter-attack has been successful. Yet there seems to be no essential reason why it should not be. Some water is being squeezed out of costs, not least in the engineering industries, and there is little doubt that more could be done. Increases in engineering and other wages do not appear to have placed many firms under intolerable strain. Such increases may not have evoked any greater degree of enthusiasm for increased productivity than did earlier increases; but it is at least something gained that increased productivity has probably kept pace with them. A plentiful supply of materials is also helping to raise productivity and many industrial concerns are reaping fruits from earlier re-equipment. Delivery periods have greatly improved and the impact of defence production is less burdensome. If Britain is not entering the export race one hundred per cent fit, it is in far better trim than before.

It is a race of many laps, some of which are bound to be difficult. But on others, the running is good. For example, British exports to the OEEC countries and their possessions in the first half of this year were higher than ever before. British exports of manufactures to North America, which are larger than those of any other country, suffered relatively little from the recession. Indeed, on this uphill leg, Britain is doing better than its European competitors; in the second quarter of this year shipments to the United States recovered to about the level of the first quarter of last year. Exports to dollar countries outside North America rose in the second half of 1953, but have since fallen back slightly.



Exports to other countries, however, have remained below the level of earlier years, owing partly to the hurdles that have been placed on the track by Latin-American countries.

The prospects of further expansion in the dollar markets ought to be promising; British exporters have made reasonable efforts to secure dollar trade, but it would be an exaggeration to say that they have been fighting for it. Further expansion should also be possible in Europe. Holland, small country though it is, is now Britain's largest European customer for machinery and electrical equipment; sales have risen steadily from £12.5 million in 1949 to £17 million in 1953. The oil states in the Middle East are a glittering market, and there should be fresh opportunities for Britain following the settlements in Persia and Egypt.



In these endeavours, however, British firms will be faced with more competition from Germany. The rapid expansion of German exports so far has been chiefly in Europe, traditionally its largest market. There are signs that in electrical machinery, and perhaps in other goods as well,

Germany's trade expansion in Europe is tapering off, and that its main effort is being directed towards Latin America. German firms are also penetrating the Middle East and certain Commonwealth markets, notably South Africa. A glance at the charts suggests that German competition, though it has trodden hard on some British toes already, will tread still more heavily in the future. Germany's second thoughts about export incentive schemes and the extension of long-term credits are not likely significantly to temper its competition. And though German labour is now demanding a larger slice of the national cake, British wages will not stay still.

Germany is not the only country to watch. Among other Continental countries, Switzerland is a formidable competitor in generating equipment and specialised machinery. Japan is a powerful rival in textiles (as is India) and, to a lesser extent, in shipbuilding and certain capital equipment. The United States may well prove to be the most formidable competitor of all. Moreover, in some consumer and durable goods, such as motor cars, British manufactures still enjoy an appreciable measure of protection owing to foreign discrimination against dollar goods, which would gradually disappear if sterling became convertible.

Provided that industry responds whole-heartedly to the challenge of a buyers' market, and provided a shrinkage of world trade can be avoided, there seems no real reason why Britain should not retain its present share of world exports. The volume of British exports should gradually improve with the growth of world trade that can be hoped for in the long run. The response of industry will depend mainly on the ability of the government, whether it be Conservative or Labour, to allow overseas demand to make itself effective, and to make sure that it is not swamped by unduly soft financial policies and inflation at home.

The Gilt on the Lily

WHETHER or not the wise buyer judges goods by the wrapping, the design and production of the packages in which most articles are sold in shops nowadays has become almost as important a business as the articles themselves. Some seventy years have passed by since Sir Thomas Lipton put tea into branded cartons and turned a small Glasgow grocery into one of the legendary industrial fortunes of Victorian times. The packaging industry has moved far since those days, but it expects to develop even faster in future. New materials and techniques, ingenious machines to wrap goods more elaborately and faster, new trends in retailing, higher standards of food hygiene, and an increased attention to the "point of sale" appeal of an attractive pack—all these developments help to build up a big, diverse and progressive packaging industry.

The packaging productivity team that visited the United States in 1950 estimated the cost of packaging in this country at "not less than £300 million a year." In the four years since then the industry has been growing; demand for packs and supplies of the materials to make them have increased, and so have prices. The gradual disappearance of rationing has increased both total volume of sales and competition in the food business, which is overwhelmingly packaging's biggest customer, and food companies have been using the proven value of a well-designed package to stimulate "impulse buying" and lay the foundation of new preferences. No reliable estimate of the growth of packaging business since 1950 is available; but home consumption of tinplate, paper packaging materials, and glass bottles, still the three major materials for containers, has risen by some seven per cent, while the use of plastics in packaging may have increased even more.

This expansion is making the package designer a more important member of the managing team, and he is often called in right from the inception of a new product. Research into packaging, which received a strong fillip from wartime experiences when faulty packs at times led to considerable losses, is being taken up by most firms making these materials or packages, and also by some of those who use them. Basic co-operative research is carried out in the packaging division of the Printing, Packaging and Allied Trades Association. The canning and quick-freeze trades also have their research associations. As knowledge and experience grow, so do techniques. There is a rapidly growing armoury of ingenious machines to slice, weigh, wrap, fabricate, fill, insert, label, print and seal packages at very high speeds, often in conjunction with electronic counting and inspection devices. Packing by hand is expensive, though for operations where it cannot be avoided small mechanical aids are now available, such as hot plates and irons for heat sealing of packets and thermoplastic labelling. With standard packets and high output, full mechanisation is usually worthwhile. It does not always take place at the factory. Although manufacturers are gradually catering for new styles in marketing many self-service stores, for example, prefer to pre-pack certain products themselves and thereby retain a certain amount of flexibility while this departure in retailing is still in its experimental stages.

Seasonal variations in produce supplies may discourage elaborate packaging facilities at the production point; on the other hand, pre-cooling and refrigeration can only take place immediately after harvesting. The costs of packing in bulk or in packets vary with the goods, and the different packs and transport conditions

may help to determine the point where "breaking bulk" into packets takes place. Growers of produce have taken a particularly lively interest in pre-packaging, for it is likely to broaden their market considerably. The National Farmers' Union recently helped to establish the Produce Pre-packaging Research Association, a joint research organisation for farmers, growers, and the packaging industry, which will carry out research to ascertain the products most suitable for pre-packaging, the packing materials that give the best results, and the most efficient machines and methods.

THE MATERIALS THAT ARE USED*
(Estimates)

	1950	1951	1952	1953
Paper (tons)	570,000	585,000	525,000	620,000
Tinplate (tons)	370,000	370,000	396,000	410,000
Glass containers (gross)	22 mn.	25 mn.	24 mn.	23 mn.†

* Plastics and aluminium figures not known.
† Equivalent to approximately 850,000 tons.

SOME OF THE FIRMS IN THE BUSINESS

Ordinary Shares	1953 High	1953 Low	1954 High	1954 Low	Latest Price	Date Yield % d
Metal Box (£1)	65/9	55/1	86/3	59/6	84/6	3·55
United Glass Bottle (£1) .	81/3	60/–	76/3	67/–	71/3	4·91
E. S. & A. Robinson (£1)	75/6	50/3	104/4	72/6	103/6	3·86
Transparent Paper (5/-) ..	11/3	6/–	27/9	10/10	26/–	5·77
Thompson & Norris (5/-)	28/7	12/9	32/–	27/–	31/–	...
Metal Closures (4/-)	23/6	15/6	29/–	16/4	26/3	6·10
Venesta (£1)	46/6	35/6	45/–	35/3	45/6	5·50
Fisher Foils (5/-)	8/6	6/–	9/6	6/4	9/6	2·63
Crown Cork (5/-)	31/6	23/–	26/3	15/1½	26/3†	2·86
Eburite (5/-)	23/2	14/1	45/9	22/3	43/6	3·07
R. A. Brand (4/-)	5/1	2/3	7/–	3/11	6/–	...
John Dickinson (£1)	49/6	32/6	67/6	47/–	67/6	3·6

† 100% scrip issue.

*

No single packaging material approaches the ideal; there is a wide range of materials that satisfy different packaging requirements to varying degrees. The task of the packaging designer is to determine the properties he requires and then to select the material or combination of these materials that go nearest to meeting the specifications. Recent techniques of bonding different packaging materials have widened the range of selection and revived or increased competition. Multiwall sacks —of paper with at least one layer of polythene—are now used in the flour, fertiliser, and chemical industries; and the possibility of coating hessian with polythene has not escaped the notice of the jute industry. Completely new "gimmicks," such as the aerosol can, which is packed under pressure and blows its contents out as required, have opened up new fields for the tinplate container and have also given fresh stimulus to aluminium and glass bottle manufacturers. Glass bottle makers, whose pharmaceutical and cosmetics markets have been invaded by the aluminium tube and capsule and by the polythene bottle, may be able to use this rival material to coat their glass bottles and reduce breakage.

The aerosol can, most familiar in its application as the insecticide "bomb," is one example. Supplies of cans, valves, and the propellant gas—Arcton, also used by the refrigeration industry—have improved during the last year as more firms have appeared on the scene and these pressure dispensers are now marketed or will soon be for air fresheners, shaving cream, shampoos, lacquers and paints. The paint sprayer—once certain technical difficulties have been overcome—should be a boon to the motorist whose car is always being scratched.

The can, the bottle and the carton are still the heavyweights of the packaging industry; tinplate, glass and paper are to be found in most sections of it, though there is a shifting frontier between them and some competitive materials are making encroachments on both their fields. Improvements in interior coatings, in can seaming and sealing, and a new collar-type can that can be used with a lid for dry packs in the home after it has been opened, are some of the new tricks of the tin can maker. The slump in tinplate demand in 1952-53 put out of business some capacity that was obsolete but still useful; but it stimulated canners to go into the beer, milk, and soft drinks business, where tinplate may be helped by a trend against returnable containers. Some glass jar makers and tinplate container fabricators have attempted to exploit this trend by making multi-purpose containers, suitable for use about the home once their original purpose has been served. Cans or containers made from aluminium sheet are generally too expensive in this country to compete significantly; though extruded aluminium tubes and aluminium foil have much better prospects. In the rigid box industry, conversion to continuous line production with machines recently developed has cut costs and improved quality. The growth of frozen food sales has created a large new demand for waxed cartons and a whole new family of "window cartons" that show the product have appeared.

But perhaps the most far-reaching developments in packaging are taking place in plastics. These materials provide three of the main qualities needed—visibility, protection, and lightness; and with production increasing, plastic costs have tended to fall. Polythene, particularly, has developed very rapidly; its high resistance to water, vapour, and chemicals, its toughness, visibility, and flexibility make it a good packaging material. As a film, produced in sheets or by extrusion as "layflat tubing," polythene has been used for the prepacking and home storage of foodstuffs, and as a protective bag for domestic textiles and machine parts. A polythene liner made from film turns a metal or board drum into a cheaper, lighter, and more effective container. Rigid or squeezable polythene bottles have carved out a growing market in cosmetics and pharmaceuticals; and collapsible tubes made from polythene or polyvinylchloride offer an effective though as yet expensive alternative to collapsible tubes made from metal. Apart from polythene, "Pliofilm" (rubber hydrochloride) and "cellophane" are used for prepacking food. Both have advantages that polythene lacks, and vice versa; and both a "Pliofilm-Cellophane" laminate and a polythene-coated "cellophane" have appeared on the market.

The self-service store is often suggested as the logical end to the packaging and branding developments of the last few decades. The impact of these stores upon the packaging industry in this country has only just really begun. Although well over 2,000 self-service stores have been opened in different parts of Britain within the last five years, and the rate at which they are appearing seems to be increasing, some 530,000 retail businesses still operate on the counter sales system and a large range of food and non-food products are still bought in bulk and sold retail by quantity or weight. Packaging of all goods becomes essential in full self-service to protect products from the handling they get when the shopper is allowed to roam through a store and pick up and examine everything before buying anything. A good packaging material for self service must not only protect the article. It must itself be robust and at the same time light in weight; it should, if possible, allow the shopper to see just what it contains; it should also be cheap to produce and lend itself to mechanised production. Above all, it should be attractive to look at and enhance the sales appeal of the pack. Self-service salesmanship aims at impulse buying, more perhaps than anything else. Self-service retailers want to show the price as well as the goods, which may require redesign of established packs; and with no shop assistant to answer questions, comparatively informative labelling may be preferred. But if its demands are more rigorous, self-service offers the packaging industry a considerable widening of its horizons. The super market, where the customer can buy under one roof all the household goods a family requires, may draw into the prepackaging field all the prerequisites of modern living—non-branded goods as well as branded, Lea Valley cabbage and continental delicatessen, nylon socks as well as toothpaste.

Business Notes

More Seasonable Markets

STOCK markets this week have assumed a more seasonable —and therefore less rosy—appearance. The spectacle of continuously rising prices and very active dealings in the dog days of mid-August was so abnormal that it could scarcely have been expected to last. And in industrials, at least, the pace since the Bank holiday had been exceptionally fast; a pause for breath-taking was evidently overdue. It has come this week, and the *Financial Times* Ordinary share index, which reached a new peak of 167.7 last Friday, had by Wednesday's close fallen back to 166.2—still, however, retaining a rise of over six full points since end-July. The gilt-edged market had begun to sag a few days earlier, and on each of the first three days of this week it eased further. This meant that the long-expected Electricity loan, having obviously gained substantially through being held back until after the Government's own operations of June and July, proved to be a little unfortunate in its detailed timing. A few weeks ago the market would have taken the issue in its stride; but, as it was, the announcement made after business hours last Friday became a factor in the further sagging of prices this week.

In spite of the delay, however, the BEA's borrowings this time are smaller than on any of the three previous occasions. The issue totalled £100 million, and took the form of a second tranche of 3½ per cent Guaranteed stock, 1976-79, offered at 100½, compared with the price of 99 at which the first £150 million of this stock was issued in May, 1950. Last year's borrowing amounted to £125 million, also by way of a second tranche of an existing stock—the 4½ per cent stock, 1974-1979, issued at par in April, 1953, and at 99 in April, 1952. The cutting down of the size of the issue, it is interesting to note, does not reflect any abatement of the pace of BEA demands. This year's issue is actually £4.6 million less than the amount of the Authority's temporary loans outstanding on July 31st last, whereas last year's loan exceeded the temporary borrowings (at March 31, 1953) by nearly £33 million. The change of policy may have reflected a hope that interest rates will fall still further; but, as it turned out, it helped to cushion the impact upon a somewhat uncertain market. The terms were cut very fine, for the existing tranche, having been quoted a few days previously at 101 1/16 middle, had dropped by the eve of the announcement to 101⅛, including 18s. of gross accrued interest. There was therefore no scope at all for the stags; and on Wednesday, when the issue was made, the existing stock finished at 101 3/16. It is therefore a fair presumption that a substantial slice of the stock has been taken by the

"departments" for resale as opportunity offers. There was, of course, no indication of this in the official announcement of the allotments. Applications for £250,000 or less were allotted in full, and larger applications were scaled down to 78 per cent—a slightly larger proportion than that accorded to the 4½ per cent issue last year. Upon its debut on Thursday the stock was quoted at a fractional discount, but by the close of business it had slipped to ⅛ discount in a gilt edged market that was sliding rather faster, with War Loan down ⅜ on the day, at a net price of less than 90.

Sterling Sags, and Bill Rates Rise

THIS softening of gilt edged, though partly attributable to technical factors in the gilt edged market itself, owes something to two notable developments in other financial markets. A few weeks ago the majority view in stock markets, if not also in banking circles, was that the trend of interest rates could only be downwards and that the next move in Bank rate was much more likely to be down than up. Early this month, however, many people began to have second thoughts, and the talk about an early reduction in Bank rate died down. The complacent view has now been further jolted by the action of the discount market, which last week unexpectedly cut its tender price for the week's offering of Treasury bills, so that the average discount rate at which the bills were allotted rose rather sharply. This rate, after being virtually unchanged for five weeks at around 31s. 3d. per cent, rose last Friday to 31s. 10.56d. per cent—not much less than its level of early July.

Such changes in the discount market are often no more than the technical manœuvrings of the market houses in their tactics in meeting "outside" competition, and such moves may be quickly reversed. But on this occasion the market does seem to have been responding to wider trends and to an easing of the demand for bills. The most striking of these trends is the weakening of sterling. When the intense and abnormal demand for sterling subsided after the reduction of Bank rate last May, the sterling-dollar rate slipped back from its upper limit of $2.82 and settled at around $2.81⅛. In the early days of this month it eased further, to $2.81⅛, and since then has suffered several sharper falls—carrying it to $2.81¼ by Thursday last. The rate is still comfortably above the parity of $2.80 and there is no reason to suppose that the fall is anything more than the traditional weakening that results from the payments for imports—notably of grain and cotton—at this time of the year. But it is evidence that the speculative and capital factors cannot be depended upon to run strongly and continuously in Britain's favour. The forward contracts for repurchase of dollars that were entered into last spring when money was rushing into London are now maturing; and it seems evident that these switches are not being renewed, for the premium on the forward dollar has now almost disappeared for one month contracts and is very tiny even for three months. Meanwhile, the rate for US Treasury bills in New York has risen from 0.616 per cent in early June to 0.898 per cent last Monday, the highest rate since mid-April.

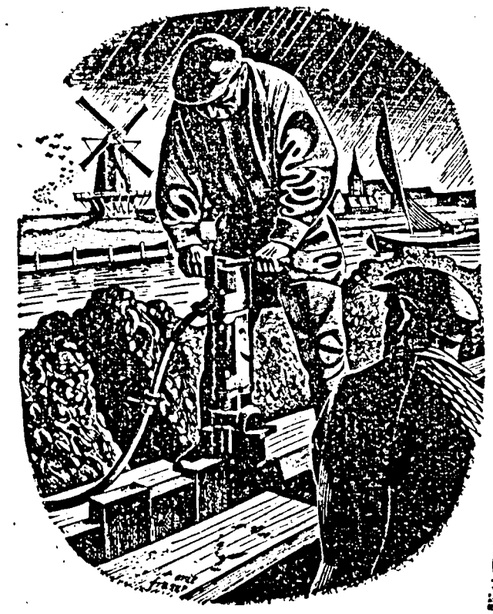
Unexplained and Inexplicable

LORD KENNET, the chairman of the Capital Issues Committee, now reigns over only a shadow of his former kingdom, but it is a vexatious shadow. Two examples of issues on which the committee, as the mouthpiece of the Treasury, still does come down decisively have been before the public this week. Swears and Wells, the furriers, have been refused permission to make a free scrip issue of one new 5s. "B" ordinary share for every £1 of ordinary or "A" ordinary stock held—a one-for-four free issue. The Capital Issues Committee never states its reasons—and wisely—but the reason can be deduced. The distribution would have involved the capitalisation of £200,000 of the company's capital reserve and that would have meant using part of the £630,111 book profit which resulted from revaluing the company's freehold and long leasehold properties as at January 1st this year. The values were there; the company wanted to use them to tidy up its capital structure, but since they result from the inflation of property values official policy says they shall not be used. Instead the company has been able to capitalise only £50,000 which passes through the mesh of the official net, and the scrip issue is one "B" 5s. share for every £4 of stock held. It may take the company four years to reach its objective, but it does not stop it paying what dividend it thinks fit. It has declared an interim dividend of 7½ per cent, compared with nil last year, when a single payment of 12½ per cent was made.

The other problem before the Capital Issues Committee is a familiar one—Mr J. Gibson Jarvie. In the course of a speech not calculated to ingratiate himself with officialdom, the chairman of United Dominions Trust discloses that his last application to raise capital was made to the CIC on July 20th, but that so far no decision has been announced. In logic the decision should be "Yes." United Dominions Trust uses its money, among other objectives, for hire purchase finance. The Board of Trade restrictions on hire purchase have gone; Treasury control ought to go too, if only because it is leaking like a sieve. The 170 companies recently formed with capitals of £50,000 or less to do hire purchase finance without Treasury control are part of the leak. Mr Jarvie mentions another—the funds that United Dominions Trust acquired by selling its shares in Ryders Discount Company. It is a sale that the trust would have considered opportune in any event. But it has contributed "something to sustain our fight against the constricting coils of the Treasury."

Data from Distillers

UNFALTERINGLY, Sir Henry Ross in his statement accompanying the full accounts of Distillers leads shareholders through the maze of accounting digits, setting them against the industrial background. He explains that the remarkable advance in trading profits from £13 million to £19.7 million, which brought in its train an increase in the ordinary dividend from 22½ to 25 per cent, was due to bigger exports of Scotch whisky and to the recovery in trade in the chemicals and plastics divisions.



Pile driving in Holland

Polishing in Sweden

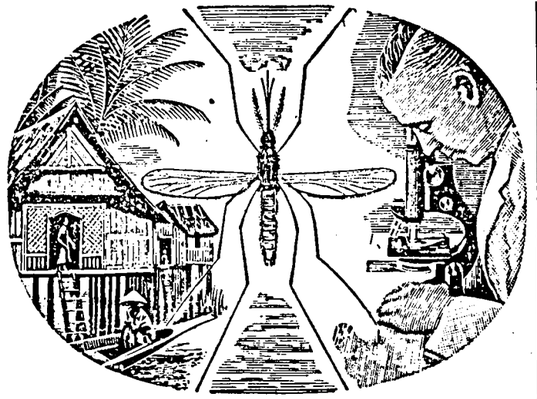


Atlas-Copco puts compressed air to work for the world

Pushing back the sea is a full time job in Holland. Aiding the Dutch in their age-old battle are Atlas-Copco sheeting drivers now at work sinking piles and sheetings on the vast new Zuider Zee project. Doing a very different kind of job on the shores of the Baltic are Atlas-Copco pneumatic polishing machines. Installed on the production lines of an ultra-modern automobile plant, these and similar small hand tools are playing an important part in Sweden's growing automobile industry. As in Holland and Sweden, so in almost every part of the world—Atlas-Copco is on the job wherever compressed air is working hardest.

Atlas-Copco provides equipment for every conceivable application of compressed air. Add to this, the servicing and delivery facilities of allied companies* in 37 countries, and you realise why Atlas-Copco are among the world's leading compressed air specialists.

Atlas-Copco embraces companies trading under the names Atlas, Atlas Diesel, Atlas Polar, Atlas-Copco, Copco, Delfos and Sampa. Enquiries in the U.K. should be addressed to THE ATLAS DIESEL COMPANY LTD., *Beresford Avenue, Wembley, Middlesex.*



Man Against Mosquito

MALARIA has killed more men than wars have ever done. Its conquests in days gone by have played a large part in determining the pattern of civilisation. Even during the last war, its influence was felt in many theatres of operation. It often caused more casualties to Service personnel than were inflicted by the enemy. Prior to 1925, the only anti-malarial in general use was quinine. In that year the synthetic compound pamaquin was introduced, to be followed by mepacrine in 1930. Although these drugs represented a great advance in the prevention and treatment of the disease, it was not until 1944 that efforts to find a more effective and less toxic drug resulted in the discovery of 'Paludrine' in the I.C.I. research laboratories. The new drug proved supreme in the protection and treatment of all those working in malarious areas and, after being in use for some eight years, it is established in world medical practice as a vital attacking force in the fight against the disease.

In numerous countries 'Paludrine' is being used extensively by Governments, large employers of labour, the armed forces, and in countless households. In Korea, the incidence of malaria was exceptionally low among those troops of the Commonwealth Division who received the drug as a matter of routine. Furthermore, 'Paludrine' was one of the drugs carried by the successful Everest expedition. Tested in war, proved in peace, 'Paludrine' is playing a significant part in safeguarding the health of millions of people of many races and creeds. It is only one of the discoveries of world significance which have accrued from I.C.I.'s research and development programme—a programme to which the company devotes no less than £7,500,000 per year.

Imperial Chemical Industries Limited

ICI

L-o-n-g refreshment leads to lasting friendship



Make friends with **Martell** BRANDY

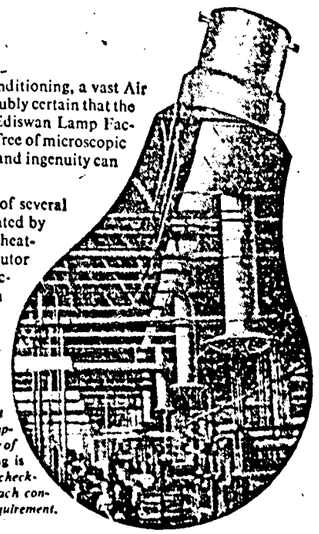
with soda or most good soft drinks

Nothing left to chance...

AIR PURIFICATION

In addition to normal air-conditioning, a vast Air Purification System makes doubly certain that the atmosphere throughout the Ediswan Lamp Factory is as clinically-clean and free of microscopic dust particles as human skill and ingenuity can contrive.

This immense plant consists of several Pumping Stations, each operated by 25 h.p. motors which deliver heat-treated, purified air via distributor ducts throughout the entire factory. Each Pumping Station circulates no less than 159,000 cubic feet (5½ tons) of air per minute! The temperature of the circulated air is precisely stabilised by thermostatic control.



This is another example of the strict control and technical care insisted upon at every stage in the manufacture of Royal "Ediswan" Lamps. Nothing is left to chance—careful testing and checking of every lamp ensures that each conforms to the highest standard of requirement.

"ROYAL" **EDISWAN** "LAMPS"

The Edison Swan Electric Co. Ltd., 155 Charing Cross Rd., London, W.C.2
Member of the A.E.I. Group of Companies

L.100

Total exports of whisky in 1953 at 13.2 million proof gallons were the highest ever reached and releases to the home trade of 4.35 million gallons were the highest since 1947. Since the beginning of the year, when the arrangements between the Government and the trade association to control the home trade came to an end, more whisky has been released for the home market. More whisky has also been allocated for export in 1954 than in 1953, but demand is not yet satisfied. A large proportion of the stocks of whisky held by the trade are still not fully matured, but in the past year Distillers acquired "certain substantial stocks" (including partly matured stocks) which will enable the company to increase the quantity available for sale in the near future. These acquisitions are reflected in the increase in the stocks held by the group from £55 million to over £62 million. While the heart of the business is as sound as ever, its other interests represented by the industrial divisions report "steady recovery and progress."

ASSETS AND LIABILITIES

	Mar. 31, 1953	Mar. 31, 1954
	£	£
Fixed assets, *less* depreciation	16,034,964	17,197,650
Trade investments	7,471,603	7,244,652
Net current assets	70,844,965	76,000,090
Stocks	55,120,669	62,339,037
Quoted investments	2,030,111	419,137
Cash and Tax Reserve Certificates	13,085,743	14,578,700
Debenture and loan stocks	18,224,250	16,598,732
Capital reserves	7,441,011	9,129,775
Revenue Reserves	29,296,331	33,301,863
Ordinary capital	22,916,507	23,375,761

The supply of raw materials has been both freer and cheaper and on occasion Distillers has been able to reduce prices, "with a beneficial effect on sales and earnings." The recovery in the chemicals division is symbolised by the promise of a maiden dividend from British Petroleum Chemicals. Supported by Sir Henry's comment that the "favourable trend has been fully maintained during the current year," Distillers' balance sheet has acquired a brighter look.

Among the most important of the balance sheet changes is the increase in the ordinary capital and in capital reserves. Most of this represents the issue of 2 million 4s. ordinary shares at 17s. each as part of the consideration for the acquisition of the entire share capital of Train and McIntyre. The balance of the increase was the result of the conversion of a further part (amounting to £264,525) of the 1964 5 per cent unsecured loan stock into ordinary stock. Distillers has also repaid another £1 million of the 3½ per cent loan stock. The repayment of its loan stocks is a continuing liability for the company until 1960. Hence £1 million has to be appropriated from profits each year to balance the repayments. The burden is lightened to the extent that 1964 loan stock is converted, and when Sir Henry reminds holders of that stock that the terms of conversion become less favourable after November, he doubtless has the interest of the company as well as of the stockholders in mind.

Trade Deficit Halved

A BIG jump in British exports with no increase in imports almost halved the gross visible trade deficit last month. July had 27 working days, three more than June and the jump of £30 million to £247.0 million fob in the value of exports matched that increase in the working month. Last month's exports were 10 per cent above the monthly average for the second quarter and five per cent higher than in July last year. Re-exports were also higher at £9.3 million. Despite the longer month, the value of imports fell slightly to £289.8 million cif compared with £291.0 million in June, though the total was four per cent more than the monthly average for the first half of this year. The trade deficit fell to £33.5 million, against £64.5 million in June, bringing the average deficit for the first seven months of the year down to £44.0 million a month, compared with £61.5 million in the same period of last year.

UNITED KINGDOM TRADE
(£ million—monthly averages)

	Imports c.i.f.	Exports f.o.b.	Re-exports f.o.b.	Trade deficit
1953:—				
1st quarter	272·4	208·5	10·0	53·9
2nd "	291·7	210·0	8·0	73·7
3rd "	274·8	211·6	8·5	54·8
4th "	276·1	230·6	8·7	36·8
1954:—				
1st quarter	273·7	224·4	9·3	40·0
2nd "	284·0	223·8	8·6	51·6
July*	289·8	247·0	9·3	33·5

EXPORTS TO NORTH AMERICA

	USA	Canada	Total
1953:—			
1st quarter	12·7	11·3	24·1
2nd "	13·9	15·7	29·5
3rd "	13·9	12·8	26·7
4th "	12·4	12·5	24·9
1954:—			
1st quarter	11·9	10·5	22·4
2nd "	12·5	12·1	24·7
July*	12·9	11·3	24·1

* Provisional.

Exports to North America rose slightly from £23.5 million to £24.1 million. Shipments to Canada accounted for this increase, being £600,000 higher at £11.3 million, while shipments to the United States were almost unchanged at £12.9 million. Though exports to North America have recovered from the worst effects of the recession there, much ground has still to be made up. The July total was nearly 20 per cent below the level of a year ago, shipments to Canada being 24 per cent lower and those to the United States being 15 per cent lower.

More Steel Offers

NOT since the process of selling the nationalised steel companies to the public began last October has the atmosphere looked as favourable as it does now. Of the four issues that have been offered, Lancashire Steel ordinary alone remains fractionally below the offer price. The most recent offer, Stewarts and Lloyds, commands a

premium of nearly 3s. per share over the offer price of 35s. Opinion in the city, which has long been divided as to the wisdom of rushing the sales, has now hardened. Most people, including Iron and Steel Holding and Realisation Agency, would welcome another public offer in the present atmosphere of active markets. To make the arrangements in August is proving most difficult. Important people both

	Issue Price	Lowest Mark	Price Aug. 19
United Steel Ord. £1	25/-	22/-	25/3
Lancashire Steel Ord. £1	22/-	19/6	21/6
Lancashire Steel 5½% Pref. £1..	21/-	20/4½	21/6
Stewarts & Lloyds Ord. £1.....	35/-	34/6	37/9½*

* 22/9½ in the 20s paid form.

in the financial institutions that would have to underwrite and support the offer and in the companies themselves are away.

It had been widely expected that the ordinary shares of Dorman Long and Company would be the subject of the Iron and Steel Holding and Realisation Agency's next offer to the public. That no longer looks likely because of the difficulty of assessing with prospectus accuracy the company's heavy development programme. Active preparations for a public offer are going ahead with the Whitehead Iron and Steel Company, John Summers and Sons, and Colvilles, but no decision has yet been taken as to which will be the subject of the first offer.

Free Scrip from Cunard

PARSIMONY, not mere conservatism, has often been the critics' epithet for the dividend policies of the shipping companies. Massive asset values and substantial, though fluctuating, earnings give an edge to their criticisms. The critics pressed their complaints at the last annual general meeting of Cunard Steamship Company, when they were asked to approve the mere repetition of the 16 per cent dividend. After the meeting a dissatisfied stockholder, Mr Lionel Childs, decided to register a private company designed to "exert all legitimate pressure" on the directors of Cunard to declare a 100 per cent free scrip issue and an increased dividend.

Whether it be pressure of critics, or force of circumstance, shipping boards do move in their own good time. The directors of Cunard have now announced a free scrip issue of two new £1 ordinary shares for every three held. The new free scrip issue will require the capitalisation of £5,198,910 from reserves. This figure looks substantial when set against the company's issued ordinary capital of £7,798,346, but it is dwarfed by the £33,898,540 in "capital, ship replacement, general and contingencies reserves," to say nothing of the £1,566,000 in the share premium account and the £1,238,910 balance of profit carried forward. Admittedly, the company at the end of last year had an outstanding liability of nearly £18 million on contracts for new ships but it also had over £35 million in liquid assets.

A scrip issue is nothing but a book-keeping transaction, tidying up the balance sheet, unless it also implies more liberal dividends. On the matter of dividends the Cunard directors are in the fashion in being studiously non-commital. They say: "the proposed capitalisation carries no implication as to the rates of the future dividend which will continue to be determined by the board in the light of conditions prevailing at the time." The new shares will rank only for the final dividend and not for any further interim declared in respect of the current year. An interim of 2½ per cent has already been paid and the reference to the further interim harks back to the chairman's statement that "the board will assess the situation again at their October meeting this year." Investors have grown accustomed to shadow-boxing by directors in their statements on free scrip issues and dividends and the welcome the stock market gave the Cunard announcement was unabashed; the £1 ordinary stock units were marked up from 44s. to 48s., taking other shipping shares up with them.

Peak Output of Sulphuric Acid

CONSUMPTION of sulphuric acid is as good a guide to the tempo of British industry as any of the production indices. From the record average of 170,000 tons a month in the last quarter of 1953, consumption of sulphuric acid rose to a new peak of 176,000 tons a month in the first quarter of this year, before declining seasonally to 167,000 tons a month in the second quarter. Production of acid in the first half of the year reached a record total of 1,040,000 tons, and for the whole of the year should comfortably exceed 2 million tons, compared with 1,875,000 in 1953.

The extent of the switch from crude sulphur to pyrites for acid production in Britain in recent years is remarkable. In 1950, before the sulphur shortage enforced this change-over, sulphur was used to produce 57 per cent of the acid and pyrites was used for 15 per cent. By the first half of this year sulphur was used for only 35 per cent and pyrites for as much as 32 per cent. The other main sources of sulphur for acid manufacture are indigenous anhydrite, and sulphur recovered from zinc concentrates and spent oxide. Two more pyrites burning plants, having a combined annual capacity of about 70,000 tons of acid, will come into operation later this year. Further expansion will come from anhydrite plants.

By the end of this year the capacity of Imperial Chemical Industries' anhydrite plant at Billingham, Co. Durham, should be raised by 75,000 tons to 175,000 tons a year. Solway Chemicals, an associate of Marchon Products, should have a plant of about 75,000 tons annual capacity in operation in Cumberland early next year. United Sulphuric Acid Corporation, financed jointly by major users of acid in this country, is building a plant of 150,000 tons annual capacity at Widnes, Lancs, which is due to come into operation by about the middle of 1955. Although production of acid from new anhydrite and pyrites plants is more costly than from American sulphur, their use has been officially encouraged to lessen Britain's dependence upon American sulphur. That is why imports of sulphur for acid-making have been restricted by licence to those requirements that cannot be met from other materials—with the result that there is now some spare capacity among the sulphur-burning plants. But there are signs that the industry itself is anxious to end this questionable form of protection when the new plants are established. Well over three-quarters of the total production of sulphuric acid comes from firms which use two or more of the three raw materials—sulphur, anhydrite, pyrites—and they might well prefer to have complete freedom to operate their plants in the way that suits them best at any particular time.

Brazil Dodges the Issue

BRAZIL has taken another nibble at its chronic problem of maintaining exports in the face of continuing inflation. Not for the first time, the complaint may be aggravated rather than relieved. The system of export bonuses has been extended in a way that is equivalent to a devaluation (for exporters only) of 20 to 30 per cent. Exporters of coffee are still to be paid a bonus of 5 cruzeiros, and other exporters a bonus of 10 cruzeiros, on the official rate of 18 cruzeiros to the dollar, but only 80 per cent of the value of exports will rank for this special treatment. The remaining 20 per cent will be apparently transferable at the free market rate, at present over 60 cruzeiros to the dollar. This free rate has hitherto been used solely for non-trade transactions—primarily for payments on invisible account and financial settlements. As one-fifth of export proceeds will now be convertible at the free rate, the effective rate for exports seems to be about 31 cruzeiros to the dollar for coffee and 35 cruzeiros to the dollar for other products.

For coffee, Brazil's most important export crop, the devaluation has almost certainly been overdone. The drop in demand for Brazilian coffee was not only due to resistance to the high minimum price of 87 US cents a lb fob Santos—now effectively reduced because the value of the cruzeiro is lower—it was also seasonal. When buyers re-enter the market, Brazilian export prices are unlikely to be as low as the full extent of the devaluation, and internal prices may rise still further. It would have been better to scrap the minimum than dodge round it. For cotton, the second most important crop, there is no justification at all for devaluation. This season Brazil has priced its cotton competitively, and exports have recovered sharply. The export price has not changed—there is no reason why it should. Sellers will therefore reap the entire gain, thus adding more fuel to the inflation.

The new regulations have no direct effect on British exporters. At present Brazil is using nearly all its scanty earnings of sterling to pay off the arrears of commercial debt and to maintain its imports of oil; recently some releases of sterling were made to Brazilian importers through the unique system of currency auctions—which is unfortunately to be maintained—but the amounts were quite small and the premiums paid phenomenally high. It is difficult to see how any secure basis for the restoration of Anglo-Brazilian trade can be laid until Brazil stops nibbling away at its problem by discriminatory exchange control and bites at inflation at the root.

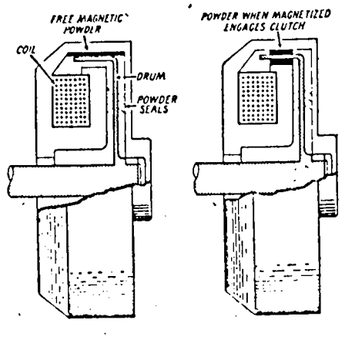
Oil in the Steel Industry

NO other industry inside Britain since the war has gone so far as the steel industry in converting from coal to oil. The shift has made it the largest inland consumer of fuel oil, but its total demand for fuel and power is so huge that it ranks only after the electricity and gas industries

Automatic Transmission for the Small Car?

AUTOMATIC transmission is on its way to becoming universal on American cars. All the various designs offered by American manufacturers embody some form of fluid flywheel, based on the Vulcan-Föttinger patents, and first applied to car transmission by Daimlers in Britain. Unfortunately, the considerable power losses involved in the hydraulic stage of all such transmissions and the extra weight and cost involved, make it uneconomic to apply any such mechanism to small European cars. But automatic or semi-automatic transmission for such cars may have been brought nearer by a "magnetic particle clutch," developed first by the Eaton Manufacturing Co., of Cleveland, Ohio, and in its later stages by S. Smith and Son (England) Ltd., who have patent rights for all countries except North America.

The drawing shows the basic principles of the clutch. The space between the driving and the driven members of the clutch contains a powder consisting



of ferro-magnetic particles and a "dry lubricant" such as french chalk or graphite. The driving member embodies a solenoid or electro-magnet. When an electric current, of the order of 3 amps on a 12 volt system, is passed through this solenoid a magnetic field is created; the magnetic particles arrange themselves in the lines of this field so as to form a link between the driving and driven members of the clutch; and a solid drive is established comparable with that given by an ordinary friction clutch.

This clutch can be embodied in cars without, initially, any major design changes. A simple magnetic clutch would enable the clutch pedal to be abolished, and the electrical actuation of the clutch to be accomplished by switches controlled by the ordinary gear lever. Thus—provided the synchromesh mechanism of the gear box is robust enough for the heavier duty thrown on it—semi-automatic transmission would be achieved.

Further developments, however, can be achieved by using *two* such magnetic clutches, each driving a different train of gears in a redesigned gear box. There seems to be no obstacle to the development of an automatic transmission that would give the same ease of control as the most advanced type of American mechanism, but without the extra weight, or the loss of power and consequent increased fuel consumption, which the latter involves.

as a consumer of coal, directly and as hard coke. It uses more than a million tons of fuel oil and buys nearly 21 million tons of coal and 3½ million tons of coke every year. In its current statistical bulletin, the British Iron and Steel Federation considers the scope for a further shift to oil, and concludes that this is fairly large—but dependent upon the future trends of price of the two fuels.

Of the steel industry's total coal purchases more than 14 million tons go into the industry's coke ovens. There is at present no possibility of replacing any of this coking coal by oil; coke is required in the blast furnace as a reducing agent as well as a fuel. Of the other six million tons of coal, about 3 million tons is used in open-hearth steel-making, where oil has marked technical advantages; there would be less chance of replacing the remainder by oil. But some opportunity for extending the use of oil may lie in its further substitution for coke-oven gas in the steel furnaces, and the sale of the gas thus freed to town gas systems.

Steelworks get fairly considerable rebates for quantity on the published price of about £9 15s. a ton for fuel oil (though not of the order that has been suggested for the big new power station at Marchwood, so that few works consider using oil to burn under boilers). Coal prices have risen much more than those of fuel oil since before the war, and it has been this change in relative prices that has made the industry's shift to oil practicable. Even so, at the prices the steel industry pays for fuel oil, it is still about twice as expensive, ton for ton, as coal, and the advantage of some 50 per cent in calorific value does not wholly wipe out this difference in price. There seems little doubt that the trend of coal prices, even given the present pricing policies of the National Coal Board, is upward; for a few years, fuel oil prices may soften, though their medium-term trend is a question over which there is some difference of view in the oil industry. Further substitution of use of oil in steel furnaces that do not yet use it, however, may depend considerably upon yet another price—the price at which the coke-oven gas it might replace could be sold to the gas industry. And that price for coke-oven gas, which derives from a formula set in the days when the gas industry took it off the steelworks' hands as a waste product, now seems to the steelmakers to be too low.

Fifty-Eighth Variety

A FIFTY-EIGHTH variety from H. J. Heinz, Limited—appetising but non-comestible—will be on sale to the public at the beginning of November. This line is of 4½ per cent redeemable cumulative preference shares of £1 each, redeemable finally at 21s. in 1990. If markets are then firm, some shares will be available to the public at slightly over 20s. per share—a well covered 4½ per cent less than redemption price. This will be the first opportunity for the general investing public to take even a prior charge interest in the English branch of H. J. Heinz. Some years ago Helbert, Wagg and Co. placed privately without a quotation £1½ million of 4 per cent redeemable preference shares, offering as a sweetener 10 per cent of the equity of the company to the allottees. The remaining 90 per cent of the equity, which has now grown to £2,925,000 in £1 ordinary shares, is held by the parent company, H. J. Heinz Inc.

Now the time has come for the English company to raise fresh money. It has been using a Ministry of Supply factory to which the Ministry has the right of re-entry, and for greater security of tenure the company has acquired a site near Wigan on which it will build its extensions. To meet the cost, £1½ million of new 4½ per cent redeemable preference capital is being placed on September 3rd. It is proposed to raise the rate of dividend on the existing 4 per cent preference shares to 4½ per cent and to postpone the sinking fund due to begin in 1955 until 1961. The whole £3 million of preference capital will thus be merged into a single class for which a Stock Exchange quotation will be sought.

This rearrangement invites the question of a possible quotation for Heinz ordinary shares. They would be an attractive investment, for they pay 28 per cent and the accounts show no break in the company's progress. But a marketing of these shares is still far off; the parent company is not ready to part with any of its 90 per cent holding and the British shareholders are not anxious to part with as much of their 10 per cent holding as would be necessary to start a market.

Hopes from Greece

A STRONG delegation from the Council of Foreign bondholders is expected to go to the Greek debt discussions that begin in Paris on September 20th. It is also hoped Hambros Bank will send at least an observer, since Hambros are paying agents for the Greek loans in London and will presumably also have to negotiate separately a settlement on the bonds of the National Mortgage Bank of Greece. Representatives of the other main creditors of Greece—America and France—will also be there, and Mr Eugene Black, chairman of the World Bank, is being kept fully informed of the progress of the discussions; the bondholders' strong card is that Greece desires to borrow from the World Bank and the bank will naturally be interested in the country's creditworthiness.

The delicate manœuvring which has paved the way to a meeting between Greece and its long-term debtors has given no inkling of what Greece intends to offer. The summons from Greece to the bondholders' representatives to go to Athens on July 26th implies that Greece intends an offer of some sort, and the insistence of the bondholders' representatives that the meeting should take place in one of the creditor countries equally implies that they wish the subject now to be treated seriously. Even when allowance is made for its poverty, Greece has a deplorable record as a debtor. Not only have the foreign loans amounting to approximately £80 million (excluding arrears of interest) been in total default since early in the war, but even before the war Greece was for many years paying substantially less than the contractual interest on its bonds. The scale was 43 per cent of the bondholders' entitlement when Greece was invaded and payments ceased in 1941. So far the Greek government has given no hint of what sum it considers itself able to pay. But economic conditions have improved sub-

new ideas in ballet

Last year Serge Lifar presented 'Cinema' in an interesting and original programme. The theme centres round a young dancer in Hollywood, and the illustration shows Vyroubova with Lifar himself as Chaplin.



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The United Steel company has for long concerned itself with these problems. As far back as 1882 a fund was founded at one of the oldest producing units to make provision for retired employees. More recently contributory pensions schemes were established to cover every worker in the Company's employ.

At the same time the Company has initiated many reforms based upon industrial preventative and curative hygiene, with establishments of medical officers, nursing administration and adequate equipment well beyond the terms of national legislation.

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P19

stantially and the burden of transfer on the country's foreign exchange resources from any agreement will be approximately halved because about half the external bonds are already in Greek ownership.

The most interesting of Greece's sterling loans is the 6 per cent Public Works issue of 1931 for that carries a right (for which a strong fight will be made) to be paid in a variety of currencies at attractive exchange rates. The most valuable option at the moment being for payment in Swiss francs at 25.2215 francs to the £. This should make any payment on that loan worth a little more than double its direct sterling value. In general, investors should not pitch their hopes high, for no one supposes that Greece will resume full service on its loans; the 6 per cent bonds of 1931 stand at about £42, while other 6 per cent Greek bonds are standing in the region of £25.

Frozen Foods

LAST year British housewives may have spent as much as £5 million on quick frozen foods. This is less than a halfpenny in every pound of total expenditure on food; but it still marks a major expansion in this little industry. In 1951 some 8,500 tons of fruit, vegetables, and fish were quick frozen—principally peas, beans, strawberries, and some white fish. By last year the total "pack" had grown to nearly 15,000 tons. Limited amounts of poultry, game, and sausages are now being marketed in the quick frozen form, and experiments are also being made in selling the quick frozen concentrated fruit juices that have been so successful in the United States. Imports of frozen food have risen too, following the removal of import restrictions last year, but shipments have not yet regained the level they reached in 1947, when home production was tiny. The crop this year has been good, although bad weather has disorganised the packing plans of most processors. But the industry is confident that output and sales this year will beat those of 1953.

As production has grown over the last two or three years, longer runs at the factory have enabled prices of frozen foods to be kept more or less steady despite increases in some processing costs. But the price of these foods is still the main brake on expansion of sales, and the seasonal nature of the industry limits scope for cost reduction. Processors can widen the range of their products, so as to stagger freezing throughout the picking months from end-May to early October, but the crop must still be frozen within an hour or so of gathering, and this involves heavy investment in freezing equipment to handle the peak loads. Some off-season work is to be found in repacking frozen fruit imported in bulk. Special handling and storage facilities, which now allow nation-wide distribution, add further to retail prices. More than 12,000 shops and stores are equipped with "zero cabinets," but very few households boast separate home freezers or large enough ice compartments in their refrigerators to store much frozen food, and most packs have therefore to be used, or at least opened, on the day of purchase. The main advantage to the housewife is the quality of the food when it comes to be eaten and the fact that nothing is wasted; both features have also attracted many catering establishments. A pound of packed frozen vegetables, ready to be cooked, is roughly equivalent to between 1½ and 1¾ lb of shop vegetables. With fish, which have recently been frozen in special trawlers, the wastage saved averages about 40 per cent. But quick freezers have apparently to beware of doing too much of the housewife's job. Quick frozen cooked food, for instance, has not been selling at all well.

Coarse Grains Rising

IN contrast to a quiet market in wheat, trading in barley and maize has been lively this month, and the London futures market in coarse grains has had its first spell of activity since it reopened in January. Prices of coarse grains, which have climbed fairly steadily since March, have risen by another £1 to £2 a ton this month. Futures prices are also higher, though still at a discount compared with the shipment market. Bad weather is responsible for the improved demand for imported barley. This has delayed the harvest in Britain and Northern Europe by a month, and as the compounders of feeding-stuffs—like other sections of the grain trade—are still carrying minimum stocks, they have been obliged to buy more from abroad. Canadian feed barley has risen to about £25 a ton and Iraqi barley to over £21 a ton cif for September shipment. The squeeze on supplies of barley for this country was delayed a little by sales from government stocks, but these are now exhausted. The improved demand for maize results from the delay in shipments from Argentina; the ports there are congested and some maize has been too moist to be shipped. Argentina claims to have sold almost all its exportable surplus; but less than one-quarter of it appears to have been shipped so far. Sellers have had to pay penalties on their contracts, and some orders have had to be diverted to the United States, which is almost the only alternative source of maize at present.

Maize has risen to about £27 a ton for September shipment; it is relatively dearer than any other feeding-stuff. The rise is due less to the increased demand for American maize than to the latest official report on the American crop, which was estimated at 2,824 million bushels on August 1st. This was about 200 million bushels lower than private estimates, and it compares with an estimate of 3,311 million bushels on July 1st and with an actual crop of 3,177 million last year. The advance in coarse grain prices, particularly of barley, has probably been restrained to some extent by cheap offers of American feed wheat at less than £20 a ton cif. Its use in feed cake is limited, however, as is also the use of American red garlicky wheat; this wheat is still rather cheap at less than £22 a ton cif and is being bought for milling as well as for feed purposes.

This season prices of home-produced and imported coarse grains, and of wheat also, will directly compete with each other for the first time in fourteen years. Last season the Ministry of Food was the residual buyer of home grains that did not fetch the guaranteed price, and later sold its stock at prices based on the world market. This season a deficiency payments scheme begins to operate; the farmer sells at the market price and is afterwards reimbursed to the extent that the average market price falls short of the guaranteed price.

SHORTER NOTES

Steel output in July was affected by the coke-oven strike at Margam and by certain mechanical failures at a works on the North-east coast. These interruptions, plus the normal incidence of holidays, kept output down to 263,000 ingot tons of steel a week, which compares with 371,000 ingot tons a week in June and with 276,000 tons a week in July, 1953. Blast furnace output suffered no abnormal interruptions; output was 211,000 tons a week, a record for the month.

★

The managers of Orthodox Unit Trust have announced an offer for sale of 200,000 units at 10s. 8d. each, to yield £4 16s. 9d. per cent on the basis of current prices and dividends. This group has pursued an active selling policy but the present offer is an occasion on which it has taken advantage of the removal of the ban on issues by unit trusts of over £50,000, by making the equivalent of a public issue.

★

The British Government has signed a double taxation agreement, similar to those already in force with other European countries, with the Federal Government of Germany.

★

The Treasury has announced the return to the international monetary fund of $112 million which were drawn from the fund against payment in sterling in the period 1947/8.

★

The Admiralty has dissolved its committee on the use of welding in shipbuilding and has replaced this by a new advisory committee on structural steel. The ship welding committee, which was formed early in 1943, carried out extensive experiments with welded ships, following the large number of failures that occurred in welded ships built, mainly in America, in wartime, and produced a number of reports upon the technique. Its conclusions pointed to the importance of the "notch toughness" of the steel used, a quality that had required relatively little attention in shipbuilding steel when riveted construction was used. The new committee has been set up to conduct research into the qualitities required in shipbuilding steels today, and possibly to set standards of performance for these steels.

★

Higher earnings and increased sales for the first half of 1954 are announced by the International Nickel Company of Canada. Inventories have declined from $112.4 million on December 31st to $109.6 million on June 30th.

Millions of US Dollars

	1953 1st half	1953 2nd half	1954 1st half
Net sales	176·1	162·5	178·2
Net earnings	29·2	24·5	32·6
Earnings per common share	$ 1·93	$ 1·61	$ 2·16

The dividend rate this year has been held steady at 50 cents per quarter.

★

Ind Coope and Allsopp has made arrangements to buy for cash the whole of the share capital of Trouncer and Company, comprising 38,000 6 per cent preference shares and 40,000 £1 ordinary shares. Trouncer, a private company, has a brewery in Shrewsbury and controls 63 licensed premises. It will continue to operate as a separate trading concern, brewing its own draught beers.

Company Notes

TOOTAL. The ordinary dividend of 10 per cent on a capital of £3,200,000 by Tootal for the year to June 30th was no surprise to investors, for that rate had been forecast when the company made its three for one free scrip issue last February. The dividend is equivalent to a rate of 40 per cent on the original capital of £800,000, on which a dividend of 25 per cent was paid in 1952-53. Nevertheless, after the announcement the £1 ordinary shares lost 1s. 9d. to 36s. 3d. in a weak market for textile shares; at this price the shares offer a yield of about 5½ per cent.

The company has a well established position in the textile industry and has on occasion been a pioneer, as it was in crease resisting processes and in the move among producers to sell direct to the retail trade, but on this occasion the company does not appear to have recovered from recession as fast as other cotton spinning and manufacturing groups. The preliminary report shows that gross profits before tax have risen from £868,382 to £1,114,528 and net profits after tax from £540,676 to £713,024. But a footnote explains that the net profit of £713,024 includes £207,187 clawed back from a guarantee relating to losses in earlier years by subsidiaries. If this sum is excluded the net surplus comes down to £505,837, while the previous year's net profit of £540,676 was struck after charging a loss of £189,722 made by subsidiaries. It seems that this loss represented a seasonal fluctuation, which the chairman then described as "neither unusual nor disturbing," and that it showed up so prominently in the accounts because 1952-53 was the financial year in which the structure of the company and its subsidiaries was re-organised. It is to be hoped that the chairman will explain the significance of this £207,187 in the full accounts.

INTERNATIONAL TEA. The end of rationing has forced the grocers to refurbish their ideas, and to face far more competitive conditions. Their methods of stock control have now to be tied to the will of the consumer—and not to the rules of the ration book. Some time ago, International Tea began to make the adjustment. It has tried the experiment of self-service stores. It reduced its stocks, giving itself room to manœuvre well in advance of the day when rationing finally came to an end. At the same time its profit margins have had to absorb increases in costs, particularly in wages. Hence, it may be that the tiny increase in its trading profits (from £1,735,834 to £1,755,352) in the year to May 1st masks a much more substantial increase in turnover, as it did in 1952-53.

The slight increase in trading profits has been followed by an even more meagre advance in net profits. They have risen by only £6,601 to £563,992. With such an infinitesimal difference in earnings, it is not surprising that the latest appropriation account is almost the exact replica of its immediate predecessor. In the latest year £128,319 has been retained by subsidiaries, compared with £128,593, and the same appropriation of £200,000 has been made to the parent company's general reserve; only £667 has been added to the parent company's carry forward. And, of course, the ordinary dividend has been left unchanged at 20 per cent. The only difference is that what was in the previous year a bonus payment of 4 per cent has now been consolidated into the final dividend. Though the full accounts may reveal significant changes in the balance sheet or in trading, the company's profit and loss account looks as unexciting as the yield of £4 11s. per cent on the 5s. ordinary stock units at the current price of 22s.

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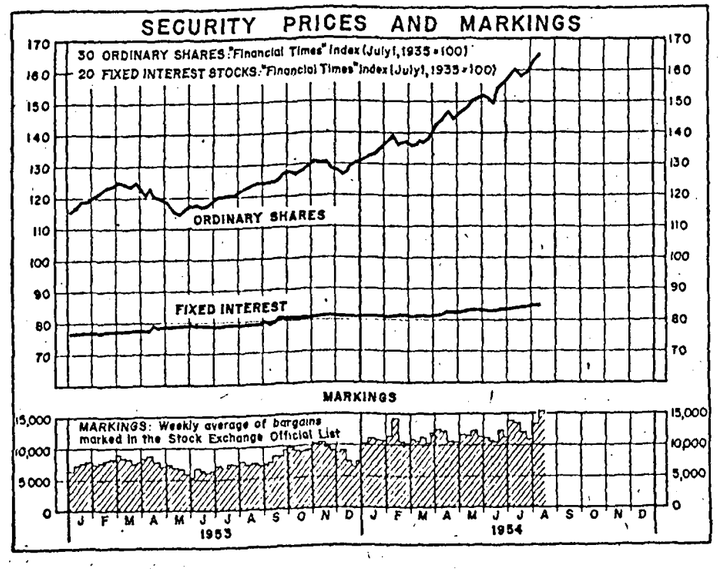
PINCHIN, JOHNSON. The full accounts of Pinchin, Johnson set out in some detail the steps that the company has taken along the road to recovery. That analysis has a wider significance than the mere recording of the progress of one paint company, for it reflects the experience of the industry as a whole after the 1952-53 recession. For the ordinary shareholder in Pinchin, Johnson and Associates the trading year to March 31st had significance, for the directors marked their confidence by restoring the dividend to its old level of 25 per cent; in 1952-53 it was cut to 20 per cent.

The company began its trading year—as did many other paint manufacturers—with sales still declining. Demand did not begin to improve until last summer. Sales then continued to expand so that by the end of the financial year in March the chairman, Mr G. R. T. Taylor, was able to report that the volume and value of sales by the parent company over the whole year were both above those of 1952-53. The profits of the subsidiaries also increased, though some of the overseas companies still found trading difficult. The company was not able to achieve any material reduction in costs; lower prices for raw materials were offset by increases elsewhere and profit margins were only fractionally higher than in 1952-53.

But lower prices helped to reduce the amount of working capital locked up in stocks. The book value of the group's stocks was reduced by nearly £1.2 million to £4 million, a reduction that was partly also due to a physical decline justified by the fact that raw materials had become more freely available. As a result liquidity has improved and the group's cash balances cover outstanding capital commitments of £700,000 by an ample margin. The size of these commitments is as much a sign of confidence in the future as the directors' comment that the improvement in sales continued in the early months of the current trading year. After the publication of the full report the 10s. ordinary shares put on 1s. to 40s., to yield 6¼ per cent.

	Years to Mar. 31, 1953	1954
Consolidated earnings:—	£	£
Trading profit	1,476,076	1,876,779
Total income	1,546,807	1,976,218
Depreciation	195,924	244,542
Taxation	718,159	929,546
Net profit	*422,496*	*551,180*
Ordinary dividends	284,347	361,597
Ordinary dividends (per cent)	20	25
General reserves	38,831	25,102
Added to group carry forward	74,836	139,917
Cons. balance sheet:—		
Fixed assets, *less* depreciation	3,073,034	3,230,428
Net current assets	6,782,931	7,481,233
Stocks	5,201,934	4,031,695
Cash	1,413,291	1,777,235
Bank overdrafts	912,959	417,846
Reserves	4,606,447	4,848,701
Ordinary capital	2,629,800	2,629,800

10s. ordinary share at 40s. yields £6 5s. per cent.



LONDON STOCK EXCHANGE

Next Account begins: August 25th
Next Contango Day: August 25th
Next Settlement Day: August 31st

THE rise in stock market values was checked this week. The particularly heavy settlement which passed off satisfactorily may have contributed to the hesitation. The *Financial Times* ordinary share index, having climbed to the new peak of 167.7 just before the weekend, had fallen back to 166.2 by the close on Wednesday. Prices in the gilt-edged market drifted lower; this was due partly to technical factors but some selling pressure in the irredeemables developed on Thursday. By contrast Dominion and Colonial loans remained reasonably firm in a quiet market. The new Walsall loan gradually weakened to stand finally at its issue price. The new Electricity loan was quoted at ½ dis to par when dealings began on Thursday. In the banking section, Bank of Montreal put on ⅝ to 17½ on the news of the "rights" issue and then reacted sharply to 17. Foreign bonds were marked down quite sharply immediately after the weekend and subsequently the market remained quiet with prices slightly sagging.

Losses in the industrial market were quite numerous but were mostly small. The worst sufferers were the store shares, notably "Gussies," Marks and Spencer and Harrods. Motor shares—particularly Jaguar and Coventry Radiator on the denial of reports that British Motor might make a bid for the shares—were dull and paper and cinema shares also made some notable losses. The general dullness in the market was broken by the advances recorded in shipping shares after the announcement of the Cunard free scrip issue and by the firmness of tobacco shares (following the absorption of a line of shares). Scattered selling led to losses in the oil market and by the close on Wednesday Anglo-Iranian had fallen to 15½. Tea shares remained firm but rubber shares were inclined to sag. Kaffirs reacted immediately after the weekend, then rallied on Tuesday under the influence of Continental buying of the OFS issues; later on, however, the market "boiled over" and a long list of losses was reported.

FINANCIAL TIMES INDICES

1954	Security Indices Ord.*	Fixed Int.†	Yields 2½% Cons.	Ord.
			%	%
Aug. 11	164·4	116·68	3·61	4·81
„ 12	166·6	116·65	3·62	4·75
„ 13	167·7	116·65	3·63	4·72
„ 16	167·2	116·59	3·64	4·74
„ 17	166·9	116·59	3·65	4·74
„ 18	166·2	116·57	3·65	4·76
1954, High	167·7 (Aug. 13)	116·68 (Aug. 11)		Total bargains 1954
„ Low	131·1 (Jan. 1)	111·78 (Jan. 6)	Aug. 11	15,492
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 12	14,743
„ Low	113·9 (May 20)	105·68 (Jan. 5)	„ 13	14,359
			„ 16	15,991
			„ 17	13,137
			„ 18	11,518

* July 1, 1935 = 100. † 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Aug. 18 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Aug. 11, 1954	Price, Aug. 18, 1954	Net Yield, Aug. 18, 1954 §	Gross Yield, Aug. 18, 1954
					£ s. d.	£ s. d.
100⅜	99⅞	Exchequer 2½% 1955	100⅛	100⅛	0 12 6	1 13 1
105⅞	101¼	Exchequer 3% 1960	104⅛	105*	0 14 4	2 0 5
104⅛	99⅛	Exchequer 3% '62-63	104⅛	104⅛	1 3 3	2 10 3⅓
100⅞	99⅛	Serial Funding 1¾% 1954	100/0⅞	100/0/5	...	1 12 6
100⅛	99⅝	S. Fdg. 1¾% 1954 Ass. Exc.	100⅛	100	1 7 11	2 10 9
101⅝	99⅛	Serial Funding 2½% 1957	101⅛	101⅛	0 13 3	1 14 11
101⅛	100⅛	Serial Funding 3% 1955	101⅛	101⅛	0 1 8	1 14 1
101⅛	100	War Bonds 2½% '54-56	100⅜	101	0 17 2	1 19 7⅓
101⅛	100⅛	Funding 2½% '52-57	100⅜	100⅞	1 4 6	2 10 9⅓
102⅛	101⅛	War Loan 3% '55-59	102⅛	102⅛	1 5 9	2 14 5⅓
100⅛	95⅛	Savings Bonds 3% '55-65	99⅛*	99	1 15 0	3 2 3⅓
101⅛	97⅛	Funding 2½% '56-61	101⅛	101⅛	1 4 6	2 8 1⅓
98⅛	92⅛	Funding 3% '59-69	98	98	1 17 0	3 5 3⅓
98⅛	93⅛	Funding 3% '66-68	98⅛	98⅛	1 16 3	3 3 9⅓
97⅛	97⅛	Funding 3½% 1999-2004	97⅛	97⅛	2 0 2	3 12 4⅓
105⅛	100⅛	Funding 4% '60-90	105	104⅛	1 9 3	3 6 5⅛
96⅛	90⅛	Savings Bonds 3% '60-70	96⅛*	95⅛*	1 19 3	3 6 10⅓
95⅛	90⅛	Savings Bonds 2½% '64-67	95⅛	95	1 17 1	3 1 0⅓
105⅛	101⅛	Victory 4% '20-76	103⅛*	103⅛*	1 17 1	3 12 0⅓
95⅛	87⅛	Savings Bonds 3% '65-75	95⅛*	94⅛	1 19 2	3 7 1⅓
97⅛	93⅛	Consols 4% aft. Feb. '57	97⅛	97⅞	2 5 3	4 2 3⅓
93	84⅛	Conv. 3½% aft. April '61	92⅛	92⅛	2 2 2	3 17 1
102⅞	99⅛	Conv. 3½% 1969	101⅛*	101⅞*	1 16 2	3 7 4
100⅛	99⅛	Conv. 2½% 1958-59	100⅛	100⅞	0 19 6	1 17 11⅓
69⅛	63⅛	Treas. 2½% aft. April '75	69⅛	69	2 0 2	3 13 6⅓
82⅛	74⅛	Treas. 3% aft. April '66	82	81⅛	2 0 11	3 14 11⅓
101⅛	92⅛	Treas. 3½% '77-80	100⅛	100⅛	1 18 6	3 10 4⅓
100⅛	92⅛	Treas. 3½% '79-81	100⅛*	100⅛	1 18 5	3 9 11⅓
91⅛	83	Redemption 3% '86-96	91	90⅛	2 0 0	3 9 5⅓
92	84⅛	War L'n 3½% aft. Dec. '52	91⅛	91⅛	2 2 5	3 17 6⅓
69⅛	63⅛	Consols 2½%	69⅛	68⅛	2 0 3	3 13 4⅓
96⅛	88⅛	Br. Elec. 3% '68-73	96⅛	96⅛	1 18 11	3 7 5⅓
95⅞	87⅛	Br. Elec. 3% '74-77	94⅛*	94⅛*	1 19 1	3 6 11⅓
111⅛	103⅛	Br. Elec. 4½% '74-79	111⅛	110⅛	1 15 3	3 12 5⅛
101⅛	93⅛	Br. Elec. 3½% '76-79	101⅛	101⅛	1 17 10	3 9 8⅓
91⅛	83⅛	Br. Trans. 3% '78-88	91⅛	90⅛	2 0 10	3 9 10⅓
96⅛	88⅛	Br. Trans. 3% '68-73	96⅛	96⅛	1 18 11	3 7 5⅓
107⅛	100⅛	Br. Trans. 4% '72-77	106⅛	106⅛	1 16 1	3 11 3⅛
91⅛	84⅛	Br. Gas 3% '90-95	91⅛	90⅛	2 0 1	3 9 5⅓
102⅛	96⅛	Br. Gas 3½% '69-71	101⅛*	101⅛*	1 16 8	3 7 9⅓
106⅛	99⅛	Br. Gas 4% '69-72	106⅛	106⅛	1 15 10	3 10 8⅛

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953 High	Low	Prices, 1954 Jan. 1-Aug. 18 High	Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, Aug. 11, 1954	Price, Aug. 18, 1954	Yield, Aug. 18 1954
							£ s. d.
92	84⅛	97⅛	90⅛	Aust. 3½% '65-69	95⅛	95⅛	3 13 0⅓
...	...	99⅛	97⅛	Ceylon 4% '73-75	99	98*	4 2 11⅓
98⅛	98⅛	106	98⅛	N. Zealand 4% '76-78	104⅛	104⅛	3 14 1⅓
73⅛	66⅛	79⅛	71⅛	L.C.C. 3% aft. 1920	79⅛	79⅛	3 15 6
95⅛	90⅛	99⅞	95	Liverpool 3% '54-64	98⅛	99	3 2 4⅓
81⅛	73⅛	87⅛	80⅛	M.Wtr.'B'3% '34/2003	85⅛	85⅛	3 12 8⅓
104⅛	101⅛	104⅛	101⅛	Agric. Mort. 5% '59-89	102⅛	102⅛	4 4 10⅛
...	...	95⅛	71⅛	German 7%	82	81	...
...	...	142	102	German 5½%	122	121	...
139⅛	119	159⅛	132⅛	Japan 5% 1907	148⅛	147	...
176	136	186⅛	168⅛	Japan 5½% Conv. 1930	175⅛	174⅛	...

Prices, 1954 Jan. 1 to Aug. 18 High	Low	Last Two Dividends (*a*)	(*b*)	(*c*)	ORDINARY STOCKS	Price, Aug. 11, 1954	Price, Aug. 18, 1954	Yield, Aug. 18, 1954 £ s. d.
		%		%	BANKS & DISCOUNT			
50/3	42/3	16	*c*	5	*a* Barclays £1	49/6	50/–	4 0 0*m*
65/6	58/9	14	*c*	7	*a* Lloyds 'A' £5, £1 pd.	64/6	64/6	4 6 10
84/6	74/9	8	*b*	8	*a* Midland £1, fully pd.	82/6	83/–	3 17 1
82/9	72/7½	8½	*b*	8½	*a* N. Prov. 'B' £5, £1 pd.	82/6	82/6	4 2 5
91/9	79/6	18	*c*	10	*a* Westminster £4, £1 pd.	89/–	89/–	4 0 11
128/1½	92/–	17½	*b*	7½	*a* Alexanders £2, £1 pd.	125/–	120/–	4 3 4
49/6	40/10½	5	*b*	5	*a* Nat. Disc. 'B' £1	49/–	49/–	3 1 3*v*
55/6	44/6	5	*b*	5	*a* Union Disc. £1	52/–	52/–	3 16 11
46/–	37/6	4	*b*	4	*a* Barc. (D.C. & O.) 'A' £1	45/–	44/6	3 11 11
45/7½	40/3	7	*a*	7	*b* Chart. Bk. of India £1	42/6	42/–	6 13 4
					INSURANCE			
16⅛	9⅛	50	*a*	85	*b* Leg. & Gen. £1, 5/- pd.	16⅛	15⅛	2 3 7
24⅞	20⅛	40†	*a*	40†	*b* Pearl £1, fully pd.	23	23	4 14 11
45	35⅛	105†	*c*	112⅛†	*c* Prudential 'A' £1	44⅛	44⅛	4 11 5
					BREWERIES, ETC.			
131/3	125/–	33	*b*	10	*a* Bass £1	126/10½	128/1½	6 14 3
23/3	17/4½	7½	*a*	17½	*b* Distillers 4/-	22/6	22/6	4 8 11
38/–	31/–	11	*b*	8	*a* Guinness 10/-	37/–	37/6	5 1 4
84/3	60/–	8	*a*	15½	*b* Whitbread 'A' Ord. £1	77/6	78/9	6 6 8*d*

† Free of tax. Yield calculated on gross basis. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Whole year's dividend. (*d*) Yield basis 21%. (*e*) To earliest date. (*f*) Flat yield. (*g*) Yield basis 43½%. (*h*) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 14·8%. (*i*) Yield basis 13½% after capital bonus. (*j*) Yield basis 11¾%. (*k*) Yield basis 8%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution. (*q*) Yield basis 22% gross. (*r*) Yield basis 32½%. (*s*) Yield basis 22·7% gross. (*t*) Also 2½%, not subject to tax, from capital profits. Yield basis 10%. (*u*) Yield basis 12%. (*v*) Yield basis 7½%. (*w*) Yield basis 20%. (*x*) Yield basis 18·18% gross. (*y*) Yield basis 11%, after capital bonus. (*z*) Yield basis 11¼%. * Ex dividend.

Prices, 1954 Jan. 1 to Aug. 18 High	Low	Last Two Dividends (*a*)	(*b*)	(*c*)	ORDINARY STOCKS	Price, Aug. 11, 1954	Price, Aug. 18, 1954	Yield, Aug. 18, 1954 £ s. d.
		%		%	STEEL & ENGINEERING			
12½	10	15	*c*	15	*c* B.S.A. £1	61/–	61/3	4 17 11
5	*a*	10	*b*	10	*b* Cammell Laird 5/-	10/3	10/6	7 0 11½
5	*a*	10	*b*	10	*b* Guest Keen N'fold £1	61/–	63/9	4 14 1⅓
...		...		...	Stewarts & Lloyds £1	38/–	38/–	...
7½	*b*	4	*a*	4	*a* United Steel £1	25/4½	25/6	7 1 2*o*
2½	*a*	12½	*b*	12½	*b* Vickers £1	35/6	40/–	3 15 0*v*
					TEXTILES			
4	*a*	11	*b*	11	*b* Bradford Dyers £1	25/9	27/–	7 8 2*m*
6	*a*	12	*b*	12	*b* Brit. Celanese 10/-	26/9	26/9	6 14 7
5	*a*	10	*b*	10	*b* Coats (J. & P.) £1	26/9	27/–	5 11 1*p*
6½	*a*	4	*b*	4	*b* Courtaulds £1	31/–	30/6	5 4 11*k*
20	*c*	10	*a*	10	*a* Lancs. Cotton £1	26/6	25/6	5 17 8*p*
5	*a*	15	*b*	15	*b* Patons & Baldwins £1	65/9	65/3	6 2 8
					ELECTRICAL			
7½	*a*	7½	*b*	7½	*b* Assoc. Elect. £1	60/–	61/3	3 13 6*z*
(*l*) 7½		7½	*b*	7½	*b* B.I.C.C. £1	46/–	47/–	4 5 1
4	*a*	4	*a*	4	*a* English Elect. £1	52/6*	55/–*	3 17 7
8½	*b*	8½	*b*	8½	*b* General Elect. £1	52/3	52/6	4 15 3
					MOTOR & AIRCRAFT			
3½	*a*	6½	*b*	6	*b* Bristol Aeroplane 10/-	22/7½	22/7½	4 8 5
6½	*b*	4	*a*	4	*a* British Motor 5/-	12/3	11/4½	4 12 4
7½	*c*	7½	*c*	7½	*c* De Havilland £1	26/9	28/–	5 7 2
7½	*c*	12	*c*	12	*c* Ford Motor £1	71/3	72/6	3 6 2
9	*b*	6	*a*	6	*a* Hawker Siddeley £1	42/9	42/6	3 10 7*v*
25	*c*	25	*c*	25	*c* Leyland Motors £1	97/6	97/6	5 2 7
5	*a*	12½	*b*	12½	*b* Rolls Royce £1	68/9	72/–	3 4 10*f*
12	*c*	12	*c*	12	*c* Standard Motor 5/-	8/3	8/–	7 10 0
					STORES & STORES			
10	*a*	12½	*b*	12½	*b* Boots Pure Drug 5/-	26/6	27/3	4 2 7
15	*b*	7½	*a*	7½	*a* Debenhams 10/-	41/6	41/6	4 16 5*m*
15	*a*	45	*b*	45	*b* Gt. Universal 5/-	97/–	98/–	2 15 0
5	*a*	17½	*b*	17½	*b* Lyons (J.) 'A' £1	108/–	108/6	4 2 11
20	*a*	45	*b*	45	*b* Marks & Spen. 'A' 5/-	55/6	56/6	2 17 6*r*
40	*b*	20	*a*	20	*a* Woolworth 5/-	75/6	79/3	3 15 9*w*
					OIL			
5	*a*	37½	*b*	37½	*b* Anglo-Iranian £1	15⅞	15⅞	2 15 9
2½	*a*	15	*b*	15	*b* Burmah £1	97/6	92/6	3 15 8
4	*a*	12	*b*	12	*b* Royal Dutch 100 fl.	£41	£41½	3 0 4*z*
5½	*a*	10†	*b*	10†	*b* Shell Reg. £1	103/9	100/7½	4 10 3*s*
15†	*b*	5†	*a*	5†	*a* Trinidad L'holds 5/-	23/9	24/6	3 14 2*x*
					SHIPPING			
16	*c*	2½	*a*	2½	*a* Cunard £1	43/6	48/–	6 13 4
12	*c*	12	*c*	12	*c* Furness Withy £1	34/–	34/6	6 19 2
6	*a*	16	*b*	16	*b* P. & O. Def. £1	47/6	49/6	4 8 11*y*
35	*c*	(*p*)	10	*c*	Royal Mail £1	30/6	30/6	6 11 2
					MISCELLANEOUS			
5	*a*	12½	*b*	12½	*b* Assoc. Port. Cem. £1	87/6	87/6	4 0 0
12	*c*	16	*c*	16	*c* Bowater Paper £1	61/3	60/–	4 0 0*u*
4	*a*	6	*b*	6	*b* Brit. Aluminium £1	36/3	36/3	5 10 4
12½	*c*	8½	*a*	8½	*a* Brit. Amer. Tob. 10/-	41/–	42/6	5 7 0
3	*b*	3	*a*	3	*a* Canadian Pacific $25	$47	$48½	5 14 9
35	*c*	14½	*a*	14½	*a* Decca Record 4/-	43/–*	43/6*	4 0 5*g*
11½	*c*	14	*c*	14	*c* Dunlop Rubber 10/-	27/3	27/–	5 3 8
6	*a*	9	*b*	9	*b* Imp. Chemical £1	37/6	37/3	4 0 6*v*
11½	*b*	8½	*a*	8½	*a* Imp. Tobacco £1	54/6*	54/6*	7 6 9
$2·60	*c*	$2·35	*c*	$2·35	*c* Inter. Nickel n.p.v.	$80	$80	5 3 10
7½	*a*	9	*b*	9	*b* London Brick £1	60/3	61/3	4 11 5*m*
6½	*a*	13½	*b*	13½	*b* Monsanto Chemical 5/-	26/3	25/3	3 19 2
12½	*b*	3½	*a*	3½	*a* Tate & Lyle £1	74/–	76/6	4 3 8
7½	*b*	7½	*a*	7½	*a* Tube Investments £1	68/9	68/9	4 7 3
17½	*c*	5	*a*	5	*a* Turner & Newall £1	87/–	87/–	4 0 6
6	*a*	9½	*b*	9½	*b* Unilever £1	80/–	82/–	3 16 10
7½	*a*	7½	*b*	7½	*b* United Molasses 10/-	35/–	34/6	6 7 6*q*
Nil	*c*	10½	*c*	10½	*c* Cons. Tea & Lands £1	41/6	42/–	8 13 2
10	*c*	10	*c*	10	*c* London Asiatic Rbr. 2/-	1/11½	2/–	10 0 0
5	*a*	15	*b*	15	*b* United Sua Betong £1	36/–	35/6	7 10 3*t*
					MINES			
20	*a*	40	*b*	40	*b* Anglo-Amer. 10/-	8⅛	8⅛	3 11 5
80	*a*	120	*b*	120	*b* De Beers 5/- Bearer	112/6	111/10½	8 18 10
...		...		...	Free State Geduld 5/-	107/6	112/6	Nil
10	*c*	10	*c*	8½	*c* Randfontein £1	70/3	71/10½	2 15 8
24	*c*	24	*c*	22	*c* Loudon Tin 4/-	6/3	6/2½	15 10 0
50	*a*	50	*a*	175	*b* Rhokana £1	26	25⅞	8 13 11

New York Closing Prices

	Aug. 11	Aug. 18		Aug. 11	Aug. 18		Aug. 11	Aug. 18
	$	$		$	$		$	$
Balt. & Ohio	27⅛	27⅞	Am. Smelting	37	37⅛	Inter. Paper	76⅛	75⅛
Can. Pac.	26⅛	27⅛	Am. Viscose	37⅛	36⅛	Nat. Distill.	20⅛	21
N.Y. Cent.	22⅛	21⅞	Cel. of Amer.	20⅛	20⅛	Sears Roebuck	68⅛	69⅛
Pennsyl.	16⅛	16⅞	Chrysler	58⅛*	62	Shell	47⅛	50
Amer. Tel.	173⅜	174	Gen. Elec.	44⅜	44⅛	Std. Oil of N.J.	88⅜	95⅛
Stand. Gas.	13⅛	13⅛	Gen. Motor.	81⅛	80⅞	U.S. Steel	54⅛	53⅛
United Corp.	5⅛	5⅛	Goodyear	71⅛*	73⅛	Westinghouse	69⅛	67⅛
W. Union Tel.	53⅛	54⅛	Inter. Nickel	44⅛	44⅛*	Woolworth	44⅛	45

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages	Aug. 7th	Western Europe:	
Production and Consumption	Aug. 14th	Production and Trade	Aug. 7th
Manpower	This week	British Commonwealth	Aug. 14th
External Trade	July 31st	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	July 17th	United States	July 31st
		World Trade	July 17th

Manpower in Great Britain

	Unit	Monthly averages 1951	1952	1953	1953 May	June	July	1954 April	May	June	July
TOTAL MANPOWER (1)											
Working population:											
Total	'000s	23,228	23,294	23,373	23,373	23,373	23,400	23,480	23,518	23,531	...
Men	"	15,791	15,864	15,883	15,888	15,883	15,885	15,923	15,928	15,921	...
Women	"	7,437	7,430	7,490	7,485	7,490	7,515	7,557	7,590	7,610	...
Armed Forces	"	827	872	865	867	865	865	842	841	841	...
Civil employment:											
Total	"	22,214	22,119	22,238	22,215	22,238	22,262	22,344	22,430	22,466	...
Agriculture, forestry and fishing	"	1,139	1,112	1,087	1,082	1,087	1,097	1,049	1,064	1,069	...
Mining and quarrying	"	856	875	877	878	877	875	872	871	869	...
Building and contracting	"	1,449	1,435	1,437	1,437	1,437	1,430	1,416	1,425	1,423	...
Distributive trades	"	2,600	2,616	2,624	2,662	2,664	2,672	2,686	2,697	2,702	...
Public administration	"	1,350	1,336	1,320	1,321	1,320	1,319	1,311	1,312	1,312	...
Manufacturing industries	"	8,736	8,626	8,746	8,746	8,746	8,755	8,970	8,999	9,009	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1950:											
Employees in engineering(2)	"	+ 103	+ 212	+ 213	+ 219	+ 213	+ 209	+ 325	+ 337	...	...
" " consumer goods industries(3)	"	+ 74	− 126	− 8	− 13	− 8	+ 3	+ 54	+ 65	...	...
UNEMPLOYMENT											
By duration:											
All durations—total	"	252·9	414·2	342·0	340·3	297·7	272·7	316·6	289·4	239·5	220·1
" " —men	"	161·5	227·8	218·2	214·3	193·5	179·7	203·3	184·7	156·0	143·6
" " —women	"	91·4	186·4	123·8	126·0	104·2	93·0	113·3	104·7	83·5	76·5
Temporary or under 2 weeks—men	"	49·8	87·8	68·8	66·9	59·9	56·4	59·8	55·3	47·4	44·0
" " —women	"	37·7	94·7	44·0	43·0	35·6	32·9	37·7	36·3	27·6	28·2
Over 8 weeks—men	"	73·2	85·9	96·7	102·2	90·7	87·2	101·0	91·8	74·2	70·2
" " —women	"	27·9	60·2	46·3	50·7	42·8	38·7	47·6	42·9	34·3	31·2
By industry (4):											
Textiles	%	0·8	8·6	1·4	1·4	1·2	1·0	0·9	1·0	0·9	0·9
Clothing	"	1·7	2·9	1·3	1·2	1·5	1·3	1·2	1·2	1·4	1·3
Vehicles	"	0·5	0·7	0·8	0·8	0·7	0·6	0·6	0·5	0·4	0·4
Engineering, etc.	"	1·0	1·4	1·4	1·5	1·4	1·2	1·3	1·2	1·0	0·9
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	1·5	1·3	1·2	1·4	1·3	1·1	1·0
By regions (4):											
Great Britain	"	1·2	2·0	1·6	1·6	1·4	1·3	1·5	1·4	1·1	1·0
London and South Eastern	"	0·9	1·3	1·2	1·2	1·0	0·9	1·1	1·0	0·8	0·7
Eastern	"	0·9	1·3	1·3	1·3	0·9	0·8	1·4	1·2	0·9	0·8
Southern	"	1·1	1·4	1·4	1·4	1·1	0·9	1·3	1·1	0·8	0·8
South Western	"	1·2	1·5	1·6	1·6	1·3	1·2	1·6	1·5	1·1	0·9
Midland	"	0·4	0·9	1·1	1·2	1·0	0·9	0·7	0·6	0·5	0·5
North Midland	"	0·5	1·0	0·7	0·7	0·6	0·5	0·6	0·6	0·5	0·5
East and West Ridings	"	0·9	1·9	1·2	1·2	1·1	1·0	1·0	1·0	0·8	0·7
North Western	"	1·2	3·6	2·1	2·1	1·8	1·7	1·6	1·5	1·3	1·2
Northern	"	2·2	2·6	2·4	2·3	2·1	1·9	2·5	2·3	2·0	1·8
Wales	"	2·7	2·9	3·0	3·1	2·8	2·5	2·8	2·5	2·1	2·1
Scotland	"	2·5	3·3	3·1	3·0	2·7	2·6	3·1	2·9	2·4	2·3
VACANCIES											
Unfilled vacancies notified to *Employment* Exchanges:											
Total	'000s	313	230	270	281	296	326	326	331	353	...
Men	"	208	131	147	154	157	171	176	180	189	...
Women	"	105	99	123	127	139	155	150	151	164	...
DISPUTES (5)											
Workers involved	"	32	35	114	17	21	14	28	27	19	...
Working days lost:											
Total	"	141	149	182	32	60	32	76	110	69	...
Mining and quarrying	"	29	55	33	14	31	12	37	41	29	...
Engineering, etc.	"	43	66	127	7	23	7	16	19	19	...
Other industries and services	"	69	28	22	11	6	13	23	50	21	...

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding and electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) United Kingdom.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany F.R.	Greece	Ireland	Italy	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	160	173	129	96	134	152	139	107
1954, February	240	106	134	155	159	192	126	98	136	153	138	119
„ March	241	105	133	153	158	192	126	98	135	154	138	117
„ April	242	105	134	154	158	193	126	97	136	154	139	118
„ May	244	105	135	156	158	192	...	97	137	155	138	119
„ June	246	106	135	152	...	192	...	...	...	155	139	...
COST OF LIVING (1) (1948 = 100)												
1938	31	27	60	6	64	0·4	55	2	49	63	61	29
1952	211	106	123	145	110	146	119	114	130	133	129	109
1953	210	106	123	144	108	160	126	117	130	136	130	113
1954, February	213	108	...	144	108	178	125	118	135	138	130	122
„ March	211	107	...	144	108	181	...	118	135	139	131	119
„ April	212	107	124	142	108	183	...	118	136	139	132	125
„ May	213	108	...	144	108	184	125	120	137	141	132	127
„ June	216	108	...	144	...	184	...	...	...	141	...	...
IMPORT PRICES (1) (1948 = 100)												
1938	...	27	40	7	39	...	39	2	24	32	45	21
1952	250	116	131	182	121	...	129	109	131	132	152	91
1953	269	110	118	164	106	...	121	102	116	125	140	89
1954, January	274	103	...	} 163	{ 101	...	121	...	105	121	} 138	{ 101
„ February	272	106	...		100	...	124	...	114	123		97
„ March	270	107	...		100	...	124	...	111	124		90
„ April	264	108	...	...	100	...	122	...	111	118	...	91
„ May	270	...	...	...	101	...	123	...	...	...	...	...
EXPORT PRICES (1) (1948 = 100)												
1938	...	25	40	6	51	...	37	2	25	32	42	21
1952	263	120	115	158	131	...	126	107	117	137	153	122
1953	239	101	109	148	123	...	127	107	104	119	134	110
1954, January	238	93	...	} 142	{ 120	...	127	...	98	117	} 133	{ 111
„ February	226	94	...		121	...	127	...	101	117		111
„ March	233	95	...		119	...	126	...	99	121		109
„ April	241	92	...	...	120	...	126	...	101	123	...	105
„ May	233	...	...	...	118	...	127	...	...	...	...	...

CURRENCY IN CIRCULATION (2)

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	'000 mn. kronor	mn. £T.
1938	...	23·6	425	112	...	...	18·2	19	1,048	455	1·04	213
1952	8·79	102·1	1,879	2,124	10·22	2,476	69·9	1,342	3,171	2,787	4·62	1,280
1953	10·25	105·9	2,032	2,310	11·98	3,503	74·3	1,424	3,394	2,998	4·89	1,461
1954, February	10·15	103·6	2,050	2,301	11·87	3,174	70·7	1,323	3,367	2,818	4·67	1,403
„ March	10·12	102·9	1,838	2,327	11·79	3,151	71·4	1,322	3,363	2,853	4·52	1,458
„ April	10·33	104·1	1,903	2,338	12·04	3,443	72·1	1,319	3,436	2,869	4·65	1,479
„ May	...	...	1,876	...	11·95	3,266	71·6	1,337	3,409	2,843	...	1,493
„ June	...	...	...	...	...	...	70·9	...	...	...	...	1,480

GOLD AND FOREIGN EXCHANGE HOLDINGS (3) (mn. US dollars)

1938	...	780	76·7	2,791	...	26·8	59	201	1,003	128·3	512	34
1952	...	1,077	142·1	988	1,165	9·9	220	918	929	148·3	379	190
1953	...	1,090	166·8	956	1,984	10·5	234	952	1,161	138·4	425	212
1954, February	...	1,095	166·0	1,038	2,137	10·6	229	965	1,167	128·1	400	212
„ March	...	1,093	177·2	1,053	2,214	10·6	232	968	1,171	132·6	386	215
„ April	...	1,082	177·6	1,104	2,271	10·6	234	...	1,172	134·2	394	216
„ May	...	1,071	175·2	...	2,302	10·6	233	...	1,214	142·8	393	224
„ June	...	1,064	169·7	...	...	10·7	229	...	...	148·6	389	227

(1) Relates only to prices in capital cities for Austria, France, Greece and Turkey. Cost of living in Paris based on 1949=100, and in Western Germany on July-December, 1948=100. (2) Index numbers of unit value which compare the current average value of trade with its value in 1948; they are influenced by changes in the composition of trade as well as price movements. Index numbers for Germany based on 1950. (3) Notes only for France and Austria. (4) Holdings of the government and central bank at end of period; figures for Greece are gold reserves only.

Financial Statistics

EXCHEQUER RETURNS

For the week ended August 14th there was an "above-line" surplus (after allowing for Sinking Funds) of £25,966,000 compared with a surplus of £26,392,000 in the previous week and a deficit of £31,562,000 in the corresponding period of last year. This reduced the cumulative deficit to £71,406,000 (£153,586,000 in 1953-54). Net expenditure "below-line" absorbed £2,606,000 bringing the total cumulative deficit to £231,712,000 (£337,985,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Aug. 15, 1953	April 1, 1954 to Aug. 14, 1954	Week ended Aug. 15, 1953	Week ended Aug. 14, 1954
Ord. Revenue					
Income Tax	1800,000	367,907	349,747	24,152	11,451
Sur-tax	132,000	27,400	26,700	700	800
Death Duties	164,375	63,900	66,700	2,400	3,700
Stamps	55,000	20,000	25,400	1,200	1,100
Profits Tax & EPT	172,000	72,300	62,600	4,300	6,500
Excess Profits Levy	60,000	21,050	33,400	1,100	2,300
Special Contribution and other Inland Revenue	1,000	380	500	50	...
Total Inland Rev.	2384,375	572,937	565,047	33,902	25,851
Customs	1062,500	390,534	409,199	24,343	20,748
Excise	719,000	280,508	284,360	16,593	25,220
Total Customs and Excise	1781,500	671,042	693,559	40,936	45,968
Motor Duties	77,000	12,864	14,281	372	370
P.O. (net receipts)	...	600	5,400	600	3,550
Broadcast Licences	21,000	3,900	4,700	...	...
Sundry Loans	24,000	9,049	9,130	937	3,234
Miscellaneous	245,000	44,975	56,045	501	19,060
Total	**4532,875**	**1315,387**	**1348,162**	**77,248**	**98,033**
Ord. Expenditure					
Debt Interest	570,000	217,566	172,744	43,698	2,917
Payments to N. Ireland Exchequer	51,000	16,632	16,855	...	...
Other Cons. Fund	10,000	4,369	3,847	202	...
Supply Services	3855,399	1219,786	1214,469	64,200	67,800
Total	**4486,399**	**1458,352**	**1407,915**	**108100**	**70,727**
Sinking Funds	36,000	10,601	11,653	710	1,350
"Above-line" Surplus or Deficit		**153,586**	**71,406**	**31,562**	**25,966**
"Below-line" Net Expenditure		184,399	160,306	5,981	2,606
Total Surplus or Deficit		**337,985**	**231,712**	**37,543**	**23,360**
Net Receipts from:					
Tax Reserve Certificates		83,391	159,835	– 986	185
Savings Certificates		8,600	4,600	400	– 200
Defence Bonds		– 24,862	– 8,183	– 714	266

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
Aug. 15	3,310·0	1,414·8	225·4	...	4,950·2
1954					
May 15	3,260·0	1,627·9	276·8	...	5,164·7
„ 22	3,290·0	1,595·7	305·0	...	5,190·6
„ 29	3,320·0	1,579·8	270·6	...	5,170·4
June 5	3,340·0	1,274·1	278·9	...	4,893·1
„ 12	3,320·0	1,332·8	274·6	...	4,927·3
„ 19	3,300·0	1,372·1	296·1	...	4,968·2
„ 30	4,700·0		268·6	3·3	4,971·8
July 10	3,280·0	1,432·5	260·2	...	4,972·7
„ 17	3,260·0	1,411·6	267·2	...	5,038·8
„ 24	3,270·0	1,492·2	281·6	...	5,043·9
„ 31	3,270·0	1,485·5	263·1	...	5,018·7
Aug. 7	3,280·0	1,447·7	285·3	...	5,013·0
„ 14	3,280·0	1,451·3	272·3	...	5,003·6

THE MONEY MARKET

THE market reduced its bid by 2d. to £99 12s. per cent, for the £250 million of bills on offer at last Friday's Treasury bill tender. This represented a rise of ½ in the rate; rates on commercial bills were adjusted correspondingly. Total applications at the tender fell by £10 million to £387.5 million and as the offer was also up by £10 million the market's allotment rose from 46 to 50 per cent, despite the fall in its bid. At yesterday's tender the offer was increased further to £260 million.

Lombard Street has had a generally comfortable week. In the period covered by the Bank return official assistance was needed by the market only on Friday last, and then it assumed only small proportions. The banks were good buyers of bills during the week; after the Treasury bill tender of Friday last they secured November maturities at 1⅛ per cent, but the abundant supplies of credit in the ensuing week induced them to buy some October maturities at the old rate of 1⅛ per cent.

On Thursday of this week the price of gold at the fixing rose sharply from 249s. 0½d. to 249s. 3d., in sympathy with the weakening of the sterling-dollar exchange rate.

The Bank return shows a further post-holiday outflow of notes of £25 million. This has permitted a reduction of £50 million in the fiduciary issue, bringing it down to £1,700 million.

LONDON MONEY RATES

	%		%
Bank rate (from 3½%, 13/5/54)	3	**Discount rates**	
Deposit rates (max)		Bank bills: 60 days	1⅝
Banks	1½	3 months	1⅝
Discount houses	1½	4 months	1⅝–1½
Money—Day-to-day	1½–1⅝	6 months	1½
Short periods	1½–1⅝	Fine trade bills:	
Treas. bills 2 months	1⅝	3 months	2½–3
3 months	1⅝	4 months	2⅝–3½
		6 months	3 –4

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	Aug. 19	Aug. 11	Aug. 18
Issue Department:*			
Notes in circulation	1,470·9	1,695·5	1,670·5
Notes in banking dept.	79·5	54·9	29·8
Govt. debt and securities*	1,546·8	1,746·3	1,696·2
Other securities	0·7	0·7	0·8
Gold coin and bullion	2·9	3·4	3·4
Banking Department:			
Deposits:			
Public accounts	10·0	13·7	13·5
Treasury special account	18·3	1·7	1·7
Bankers	268·4	270·8	274·2
Others	66·5	63·2	76·5
Total	363·2	349·4	365·9
Securities:			
Government	268·5	289·6	333·5
Discounts and advances	12·9	7·6	5·0
Other	19·2	13·6	13·8
Total	300·6	310·8	352·3
Banking department reserve	81·0	57·1	32·1
	%	%	%
"Proportion"	22·3	16·3	8·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,725 million to £1,750 million on July 28, 1954.

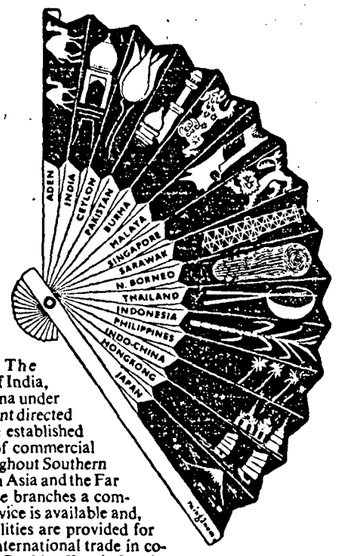
TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s.	d.	Allotted at Max. Rate* %
1953						
Aug 14	270·0	347·9	270·0	47	4·37	71
1954						
May 14	260·0	391·7	260·0	34	1·75	50
„ 21	270·0	400·7	270·0	34	3·24	64
„ 28	270·0	426·8	270·0	34	3·33	49
June 4	270·0	414·3	250·0	32	11·61	68
„ 11	260·0	418·3	250·0	32	3·56	57
„ 18	260·0	400·4	250·0	31	7·57	56
„ 25	260·0	426·0	260·0	32	1·48	38
July 2	270·0	384·0	270·0	32	3·41	60
„ 9	270·0	396·2	250·0	31	3·90	65
„ 16	240·0	433·1	240·0	31	2·27	34
„ 23	230·0	423·1	230·0	31	2·52	34
„ 30	240·0	414·2	240·0	31	2·80	39
Aug. 6	240·0	397·6	240·0	31	3·09	46
„ 13	250·0	387·5	250·0	31	10·56	50

* On August 13th tenders for 91 day bills at £99 12s. 0d. secured about 50 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £260 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: August 18	Market Rates: Spot: August 12	August 13	August 14	August 16	August 17	August 18
United States $	2·78-2·82	2·81½-2·81¾	2·81½-2·81¾	2·81½-2·81¾	2·81½-2·81¾	2·81¾-2·81¾	2·81¾-2·81¾
Canadian $	...	2·72½-2·73⅛	2·72½-2·73	2·72½-2·73	2·72½-2·73	2·72½-2·72½	2·72⅝-2·72⅝
French Fr.	972·65 987·35	982½-982½	981½-982	981½-981½	981½-981½	981½-981½	981½-981½
Swiss Fr.	12·15⅜-12·33⅜	12·20-12·20¼	12·20-12·20¼	12·19½-12·20¼	12·19½-12·20¼	12·19½-12·20¼	12·19½-12·20½
Belgian Fr.	138·95-141·05	139·97½-140·02½	139·95-140·00	139·92½-139·97½	139·90-139·95	139·87½-139·92½	139·87½-139·92½
Dutch Gld.	10·56-10·72	10·61½-10·62½	10·61½-10·62½	10·61½-10·62½	10·61½-10·62½	10·61½-10·62½	10·61½-10·61¾
W. Ger. D Mk.	11·67⅜-11·84⅜	11·71½-11·72½	11·71½-11·72½	11·71½-11·72	11·72-11·72½	11·72-11·72½	11·72-11·72½
Portuguese Esc.	79·90-81·10	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05
Swedish Kr.	14·37½-14·59½	14·51¼-14·51½	14·51¼-14·51½	14·51¼-14·51½	14·50½-14·51¼	14·50½-14·50¾	14·50¼-14·50¾
Danish Kr.	19·19½-19·48½	19·41¼-19·41½	19·41¼-19·41½	19·41¼-19·41½	19·41¼-19·41½	19·41¼-19·41½	19·41¼-19·41½
Norwegian Kr.	19·85-20·15	20·01-20·01½	20·01-20·01½	20·01-20·01½	20·01-20·01½	20·01-20·01½	20·01-20·01½
One Month Forward Rates							
United States $		¼c. pm-par	¼c. pm-par	¼c. pm-par	¼c. pm-par	¼c. pm-par	¼c. pm-par
Canadian $		⅛-⅛c. dis	⅛-⅛c. dis	⅛-⅛c. dis	⅛-⅛c. dis	⅛-⅛c. dis	⅛-⅛c. dis
French Fr.		5-10 dis	3-8 dis	3-8 dis	3-8 dis	3-8 dis	3-8 dis
Swiss Fr.		1c. pm par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par
Belgian Fr.		¼ pm-¼ dis	¼ pm-¼ dis	¼ pm-¼ dis	¼ pm-¼ dis	¼ pm-¼ dis	¼ pm-¼ dis
Dutch Gld.		¼-1c. pm	¼ 1c. pm	¼-1c. pm	¼c. pm-par	¼c. pm-par	¼c. pm-par
W. Ger. D-Mk.		½pf. pm-½pf. dis	½pf. pm-½pf. dis	½pf. pm-½pf. dis	½pf. pm-½pf. dis	½pf. pm-½pf. dis	½pf. pm-½pf. dis
Swedish Kr.		1ö pm-par	1ö pm par	1ö pm-par	1ö pm-par	1ö pm-par	1ö pm-1ö dis
Danish Kr.		1-5ö dis	1-5ö dis	1-5ö dis	1-5ö dis	1-5ö dis	1-5ö dis
Norwegian Kr.		1ö pm-1ö dis	1ö pm-1ö dis	1ö pm-1ö dis	1ö pm-1ö dis	1ö pm-1ö dis	1ö pm-1ö dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		248/10	248/11½	...	248/11½	248/11½	249/0½



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Head Office: Nihombashi, Tokyo, Japan

London Branch: 7 Birchin Lane, London, E.C. 3

COMPANY MEETINGS

THE DISTILLERS COMPANY LIMITED

SATISFACTORY RECOVERY AND PROGRESS

YEAR OF NOTABLE ACHIEVEMENT FOR SCOTCH WHISKY INDUSTRY

NEW HIGH LEVEL OF EXPORT SALES

MARKED IMPROVEMENT IN INDUSTRIAL SECTION

SIR HENRY J. ROSS ON MAINTENANCE OF FAVOURABLE TREND

The seventy-seventh annual general meeting of The Distillers Company Limited will be held in the North British Station Hotel, Edinburgh, on Friday, September 17, 1954.

The following is the statement by the chairman, Sir Henry J. Ross, which on this occasion has been circulated with the report by the directors, and accounts, for the year ended March 31, 1954:

As usual, I propose to preface my statement with a reference to changes in the constitution of the board which have already taken place or which are imminent.

In the course of the year, two appointments to the board were made—Mr H. M. Braid, managing director of John Walker and Sons Limited, and Dr F. Roffey, Controller of our Research and Development Department. Both these gentlemen have had a wide experience in their respective spheres, and will make a valuable contribution to our board.

Sir Michael F. Kroyer-Kielberg, who has been a member of our board since 1930, proposes to retire after the annual general meeting. Whilst fully appreciating his reasons for retirement, I should like to record on behalf of all my colleagues and myself, our most grateful acknowledgment of the services he has rendered to us over many years, during which time his help and wise counsel have always been freely given.

I have also much pleasure in conveying your congratulations and those of his colleagues to Sir Graham Hayman who was deservedly awarded the honour of knighthood by Her Majesty in the New Year Honours List. This recognition of his outstanding ability has given great pleasure to us all.

THE ACCOUNTS

As you will see from the accounts, the trading profit of the Group for the year to March 31, 1954, amounted to £19,717,540 compared with £13,030,747 for the previous year. Although most sections of the company's business contributed to this result, the improvement was largely due to the greater volume of Scotch whisky which it was possible to export during the year and to the marked recovery by our Chemical and Plastics Divisions. I shall refer to these in greater detail later. After charging depreciation and interest on loans, the net profit was £17,632,289 against £11,059,297. Taxation provisions required £9,805,472 and of the balance, £510,268 belongs to other participants in certain subsidiaries.

The Distillers Company's share is accordingly £7,316,549 compared with £4,101,072 last year.

The balance sheet of the company on this occasion is not comparable with that of the previous year, because we have absorbed the assets and liabilities of certain subsidiaries which have ceased to trade as separate entities. I would therefore direct your attention to the consolidated balance sheet of the Group which is not affected by this rearrangement of our activities.

As you are already aware, we acquired the entire share capital of Train & McIntyre Limited during the year and as part of the consideration 2 million ordinary shares of 4s. each were issued at the then current market value of 17s. per share. This transaction accounts for the major portion of the increase in our issued capital and in our capital reserves by way of share premium account. The balance of the increase is the result of the conversion of part of our unsecured loan stock 1964. I should perhaps remind the remaining holders that the same rate of conversion is open to them this November, after which the terms become less favourable each year.

The additions to fixed assets of some £2 million are well spread throughout the Group and call for no special comment. As regards current assets, you will observe that the value of our stocks has increased by £7 million. This is entirely due to the continuation of our programme of building up stocks of Scotch whisky, not only by the distillation of new whisky but also by the purchase of partly matured stocks when available to us at suitable prices. As a result our position is not quite so liquid as it was last year. The net excess of current assets other than stocks over current liabilities is £13¼ million compared with about £16 million last year.

APPROPRIATION OF PROFITS

Returning to the profit and loss account, I would now like to comment on the disposal of the profit of £7,316,549 available for appropriation. We have thought it desirable to strengthen the position of certain subsidiary companies, and, of the sums retained by them £1,196,928 has been transferred to reserves and £575,229 has been added to the amounts brought in, a total of £1,772,157.

We are, as you know, committed to repayment over the next few years of £1 million annually of unsecured loan stock. This was borrowed mainly to finance the increased cost of laying down stocks of Scotch whisky in the postwar years and we wish if possible to place to reserve each year a sum at least equivalent to the amount repaid. Considering, however, the continuing need for larger stocks to meet the demand for the company's products, and the desirability of maintaining our liquidity, we propose this year to transfer £2 million to general reserve.

With due regard to the foregoing factors and in view of the excellent results of the year's working, we think it right that the shareholders who have invested their capital in this great enterprise should receive some additional reward. It is therefore proposed to increase the final dividend on the ordinary shares by 1 1/5d. per share (2¼ per cent) making 1s. per share or 25 per cent for the year. It may be appropriate to mention that this rate of dividend is equivalent to approximately 7¼ per cent on the total capital employed in the business as shown in the consolidated balance sheet.

After these appropriations the balance of profit to be carried forward in the accounts of The Distillers Company is increased by £233,375, and consequently the revenue reserves of the group have been augmented by sums aggregating £4,005,532.

SCOTCH WHISKY

We have again achieved a satisfactory measure of production at our malt and grain distilleries. Last year, I referred to the fact that a large proportion of the stocks of Scotch whisky held by the industry was not yet adequately matured and available for sale. Unfortunately this state of affairs still exists although the position has slightly improved. We have, during the past year, acquired certain substantial stocks which will enable us to increase the quantities available for sale in the near future. Maintenance of age and quality still remains the controlling factor in the expansion of our sales both at home and abroad.

Sales of Scotch whisky, for a number of years, have been the subject of an arrangement between HM Government and The Scotch Whisky Association. Under this arrangement, the industry undertook to limit its sales in the home trade to a specific figure and to endeavour to achieve certain suggested targets in the export field. Whilst paying tribute to the harmonious and helpful relations between HM Government and the industry, I am glad to say that intimation was received from the Government to the effect that as from January 1, 1954, each individual firm would be left free to adopt its own pattern of trade. This was however, subject to an understanding that every effort would be made to increase our export sales and in particular, exports to the dollar areas. We have therefore now reached the stage when we can produce our whisky without restriction in volume and sell it with greater freedom than has been possible for a long time.

EXPORT SALES

The year 1953 was one of notable achievement for the Scotch whisky industry as a whole. Export sales amounted to no less than 13.2 million proof gallons, the highest figure ever recorded. This compares with a prewar figure of approximately 8 million proof gallons. In the home trade, releases amounted to 4.35 million proof gallons. This was the highest figure attained since 1947, but it is, of course, markedly less than the prewar consumption of approximately 7 million proof gallons.

As from January 1, 1954, our group companies have been able to increase their releases to the home trade to some extent. The additional quantities available have been

readily taken up and it is clear that the demand for our brands in the home market is still in excess of supply. With regard to the export trade, here again we have been able to allocate for 1954 larger quantities than were available in 1953, but this still leaves unsatisfied the demand which exists in the great majority of our overseas markets.

A large percentage of our export business is done with the United States. I am glad to say that certain of my colleagues who have recently visited this market have reported that the demand for our leading brands continues to be as strong as ever. Shipments of Scotch whisky to the United States during 1953 were the highest in the history of the industry and reached a total of 7.1 million proof gallons, equivalent to 4¼ million cases.

In South Africa the relaxation of import control enabled us to ship to that country in 1953 considerably larger quantities of our brands than we have done for several years. In Australia, also, in spite of the continuance of import control, we were able to effect satisfactory shipments in 1953.

With regard to Canada, while our business is good, it is not expanding, and I fear that our progress will remain slow unless the price of Scotch whisky is brought more into line with that of Canadian whiskey. The main factor involved is the retail price fixed by the Provincial Liquor Boards which, in most cases, is considerably higher for Scotch whisky than for the domestic article.

We are still meeting with difficulties in certain markets, especially in South America where our distributors are frequently quite unable to take forward the quantities allocated to them owing to their inability to obtain the necessary currency. As in former years, such quantities can be readily diverted to other markets which are more fortunately placed, but the consequent distortion in the pattern of our world trade is to be regretted, and is indeed, one of the unsatisfactory aspects of our export trade today.

CONTRIBUTION TO NATIONAL ECONOMY

In view of the contribution which we, as exporters, have made and are making to the national economy, I feel bound to say that we do not always appear to receive from our own government the backing which we consider we merit. There are certain countries which are permitted to ship very large quantities of wines to the United Kingdom, but in some of these countries import licences for Scotch whisky are unobtainable, and in others the quantities admitted are trifling. In cases such as these, we have sought the assistance of our government when they were negotiating trade agreements with the countries concerned, but I regret to say that in general the results have been extremely disappointing.

I have already referred to the somewhat uneven distribution of our world trade created by currency restrictions, and it is to be hoped these difficulties will tend to decrease. Otherwise, I see no reason to be other than confident regarding the future of our Scotch whisky business. The world demand is established on a much broader basis than before the war. Scotch whisky is sought after and welcomed by the citizens of every civilised country, and it is rightly regarded as a household beverage of superlative merit.

I am convinced that our traditional policy in the maintenance of quality has played an important part in building up the reputation of Scotch whisky, and I am sure that by continuing this policy we shall retain our pre-eminent position in the industry.

GIN

Once again I am glad to report a successful year's trading by our gin companies, with substantially increased home and export sales. It may be prudent, however, to add a warning note in that as whisky supplies reach the home market in gradually increasing volume, the upward trend in gin sales may be arrested, or perhaps modified.

Our gin company at Linden, New Jersey, USA has also had an excellent year. Its sales constitute a record in the history of that company.

I referred last year to our new gin-producing plant at Isando, South Africa. We have now had the experience of some 18 months' trading, and I am glad to say the position is encouraging and steady progress is being made in the sale of Gordon's gin in that market.

YEAST

As indicated in my statement last year, the demand for bakers' yeast has contracted somewhat in recent years, and this trend continued during the past year, mainly due to the lower consumption of bread resulting from the freer supply of other foodstuffs. Despite this, our yeast factories have been kept reasonably well employed. Competition for the smaller tonnage of yeast required by bakers has been keen, but the introduction by your company of process improvements and economies in distribution has enabled us to effect appreciable reductions in the selling prices charged to consumers. In an endeavour to reduce distribution cost still further, the company has entered into an arrangement with The Standard Yeast Company Limited (a subsidiary of United Dairies Limited) under which, as from April 1, 1954, although that company continues the production of its well-known brand of "Standard Yeast," our subsidiary, The United Yeast Company Limited, has undertaken the sale and distribution of its output. Reports from our distribution centres show that this arrangement has worked smoothly and has been well received by the bakery trade.

We were recently informed that under an arrangement entered into between the British and certain Continental Governments, the importation of yeast from Holland and elsewhere in Europe would be permitted on a limited scale as from July 1, 1954. There is an excess productive capacity in this country at the present time, and little prospect of any marked increase in the general use of yeast. Whilst our modern plants and low selling prices should equip us to meet any normal competition, it remains to be seen what impact such foreign importation may have upon our domestic economy.

INDUSTRIAL GROUP

I am glad to be able to report that following upon the sharp recession to which I referred in my previous statement, the year now under review was one of steady recovery and progress for most of our divisions. This reflects not only the marked improvement in general trade, but also the coming into operation of new plant and reorganisation programmes.

Most raw materials have been in free supply at somewhat lower levels, which has enabled us to reduce the prices of our products with beneficial effect upon our sales and earnings. The chemical industry continues to develop at a rapid rate, and although in Britain, because of the limitations imposed upon industry by the crushing weight of taxation, the capital invested each year does not compare with the enormous sums expended in the USA or Germany, nevertheless, the total figure is impressive and we have contributed our share.

New products of great value and wide application are constantly emerging from the chemical laboratories of the world and we have to see to it that we do not fall behind in this competitive but constantly expanding field. You will note from the reports on the work of the divisions, the steps which have been taken to broaden our range of products, either alone or in partnership with other leaders in the industries concerned.

Chemical Division. The British Petroleum Chemicals plant at Grangemouth has had a very successful year and its output of synthetic ethyl alcohol now forms a substantial part of our total industrial alcohol production. I am glad to say that we shall this year receive a maiden dividend from this associate company, and its future appears to be most encouraging. A contract has been concluded between British Petroleum Chemicals Limited and the Oronite Chemical Company, a subsidiary of the Standard Oil Company of California, USA to produce detergent alkylates used in the manufacture of synthetic detergents. This plant will be located at Grangemouth, and it is hoped will come into operation before the end of 1955. The monomeric styrene plant of Forth Chemicals Limited (a subsidiary of British Petroleum Chemicals Limited) has operated at maximum capacity, and in view of the growing demand for this material for the manufacture of polystyrene and other important uses, it has been decided to double the capacity. This work is now in hand.

Our industrial alcohol distilleries have operated satisfactorily, and the price of molasses has remained reasonably stable. Sales are at a high level, but in view of our production of synthetic ethyl alcohol at Grangemouth and in order to secure maximum economies, we have concentrated production at three distilleries and have meanwhile closed down those at Liverpool and Greenock.

Carbon dioxide sales continue to expand and the use of the bulk tanker delivery service we have instituted is increasing rapidly. A new development by your company which has aroused great interest in engineering circles, is the application of carbon dioxide for prolonging the life of machine cutting tools and at the same time very greatly accelerating the speed of machining of the tough high alloy steels used for aero-engines and rearmament products.

Sales of solvents and our range of other chemicals are satisfactory both for the home market and export, although conditions remain keenly competitive. New products are being regularly introduced, which are the direct outcome of our research and development work during recent years. Whilst the tonnage of some of the individual products is modest, in the aggregate they represent a valuable contribution to our economy.

In conjunction with the Oronite Chemical Company of California, a company has been formed under the title of Orobis Limited, in which we have a 50 per cent interest, to manufacture in this country the range of lubricating oil additives now produced by the Oronite Company in the USA. These chemical additives, which have been in use for a number of years, have become important constituents in the composition of lubricating oils. The new unit, which will be located at Hull, should be in production early next year.

As from October 1, 1953, we leased from the Ministry of Supply, the Kenfig carbide factory, South Wales. This plant, which contributes the major proportion of the carbide requirements of the United Kingdom, was originally built in 1941 by the Company as agents for the ministry, since when we have continued to manage it on an agency basis. Under the new arrangement, we are operating this unit commercially with satisfactory results.

Biochemical Division. Last year, I drew attention to the competitive conditions in world markets. These have continued on an

increasing scale, particularly in regard to Penicillin and Streptomycin. This has inevitably affected our earnings, but the process improvements introduced during the past year and extension of the range of products made will, I am confident, enable us to maintain our position in this industry.

I should like to refer briefly to an investigation which is at present being carried out by the Ministry of Health, concerning the cost of pharmaceuticals required by the National Health Service. Your Company has spent considerable sums in research and on new capital equipment in the development of antibiotics, and I fully share the views expressed by the chairmen of other companies engaged in the industry in regard to the dangers of applying rigid and unimaginative principles of accountancy to everyday business operations. The alarm they have expressed is well-founded. A broader view must be taken by the ministry if this industry is to be maintained in a healthy and progressive condition.

Plastics Division. The return to more active trading conditions early last year, was followed by a steady rise in demand for our synthetic resins, and although competition remains keen and selective, good progress is being made by widening the range of our materials.

Negotiations have recently been concluded with the Dow Chemical Company of Michigan, USA, to form a British Company, under the title of Distrene Limited, of which your Company will hold 55 per cent, for the manufacture of polystyrene at Barry, South Wales, under the Dow Company's patents. The world-wide reputation of the Dow Company in this material encourages us to believe that this new venture should be successful.

The demand for polyvinyl chloride, produced by British Geon Limited, continues to increase due to the widening field of application, and in spite of the plant extension which was completed last year, there is still a shortage of supply. A further extension is now under construction, part of which it is hoped, will be brought into operation by the end of this year.

Magnesium. As from February 28th last, our subsidiary, Magnesium Elektron Limited, ceased acting as agents for HM Government and is now producing magnesium on its own account. The excessively high cost of electric power, now exceeding four times the cost in 1939, has created serious problems, but we have been able to make such arrangements and alterations to the process to permit the plant to continue to produce magnesium at prices which at present are close to or better than those ruling in foreign markets. The Company's exports of special alloys and alloying materials to the USA, Canada and the Continent have been satisfactorily maintained.

South Africa. Our Associated Company, National Chemical Products Limited, has had a good year and the expansion schemes in the range of chemicals and plastics have made satisfactory progress.

Australia. Our Associated Company, CSR Chemicals Pty. Limited, has enjoyed a successful year in its solvents and chemical division. The new cellulose acetate flake plant, to which I have previously referred, has also operated well, but is meeting very severe competition through the sharp fall in world prices of acetate flake. It is hoped that the position will be improved by the Australian Government granting an import tariff, but in any event, it will undoubtedly take some time to build up this enterprise to a normal profitable basis.

Research. The Company continues to spend large sums of money annually on research and development which is directed to the maintenance of all our operations at the highest state of efficiency, and also to the longer range investigation of new processes and products which can be expected ultimately to expand our business. An example of the successful completion of development work on a new process that has been under investigation for several years, is the commercial operation in the USA, Canada and France, of a method of making phenol, which is a basic material widely used in the pharmaceutical, chemical and plastics industries. Useful royalties are now being received from the licensing of the company's patents on this and other processes which have been developed.

FUTURE PROSPECTS

I have no doubt that shareholders will regard the results of the past year as indicating satisfactory recovery and progress. This favourable trend has been fully maintained during the current year, but we are living in times which make it increasingly difficult to forecast with certainty. I feel I can say, however, that with our broad spread of activities, and providing no major setback occurs in our national economy, the results for this present year should be as favourable as those we are now reviewing.

STAFF

In conclusion, I should like to express on behalf of the board and our shareholders, our thanks to the management and to all grades of staff for their services during the past year. In an expanding organisation like ours, the family spirit is of the highest importance and I am glad to pay tribute to all concerned for developing that spirit which contributes so much to the strength and success of the Group.

UNITED DOMINIONS TRUST

RECORD OF SOLID ACHIEVEMENT

GROUP'S ROLE IN EMPIRE EXPANSION

MR J. GIBSON JARVIE ON ILLOGICAL GOVERNMENT REPRESSION

The thirty-second annual general meeting of United Dominions Trust Limited was held on August 18th at Regis House, King William Street, London, E.C.

Mr J. Gibson Jarvie (the chairman) presided and, in the course of his speech, said:

I am able again to report that United Dominions Trust Group figures for the year ended June 30, 1954, have passed all previous records—the sixth successive postwar record.

The profit of £1,060,122 compares with £850,200 last year.

The consolidated balance sheet shows total assets of £34,361,575 compared with £26,235,884 in the previous year. Although heavy taxation, here and overseas, took £561,482, our revenue reserves increased during the year by £323,296.

The comparative figures for the last six years printed in the accounts give a graphic picture of the Group's progress and ever increasing strength.

GROUP ACTIVITIES

London Produce Clearing House Limited has very successfully handled the large volume of wool futures contracts on the terminal market. Coupled with the active business in the cocoa terminal market, the Clearing House registered contracts in excess of £250 million during the year. The Clearing House is well equipped to handle the rapid expansion of its present business and to register and guarantee terminal contracts in other commodity markets as the need and opportunity arise.

Ryders Discount Company Limited: In June this year we disposed of the greater part of our holding. The opinion of the directors of that company that the time was appropriate to convert the company into a public company was shared by your board. In the years during which we held these shares we received a steady and satisfactory return on our investment.

The chairman referred to his visit last winter to New Zealand, Australia and South Africa and outlined the progress made by the Group in those territories and also in Canada. He informed the meeting that the newly formed subsidiaries in Australia and Canada were already making profits, and continued: As a banking institution, our risks are world-spread and there is an ever widening overseas field for "UDT" Group activity under conditions which, on the whole, are very similar to our own.

But the greatest development has, naturally, been in the parent company itself and United Dominions Trust (Commercial) Limited where the volume of new business discounted during the year exceeded £25 million, an increase of nearly 40 per cent—the larger part of which was in industrial equipment and other capital goods. No less than 10 new branches were opened in the United Kingdom during the year. You have probably seen the announcement of our purchase of the Glasgow Stock Exchange building. It is one of the finest business blocks in Glasgow and should add substantially to our possibilities for expansion when we take possession. The Stock Exchange will continue to occupy their present premises under lease.

It is also a pleasing feature of last year's business that in Credit for Industry Limited, outstanding balances of loans against security now exceed £2,250,000, while at June 30th last we were already committed to a further £500,000 in respect of accepted loans pending.

I think I am also entitled to refer to Transport Unit Finance Limited, a company formed by us with the full co-operation of the authorities, for the purpose of financing hire-purchase transactions arising out of the denationalisation of road transport. The company has not done much because the disposal of transport and properties has been regrettably slow.

The extraordinary feature is that while we have given valuable help to more than one Government, no assistance has been given to us in the provision of the funds involved.

Your company has in many ways rendered notable, though thankless, service to the nation. And I am glad to say that, even though the Chancellor and the Treasury may look askance at our work and our progress, our reputation in all industries and trades here and overseas, was never greater; nor have we ever before been able to provide so wide or comprehensive a financial service.

CAPITAL ISSUES COMMITTEE

Throughout the past four years I have striven to persuade the Capital Issues Committee of the increasing urgency for an addition to the issued capital of our company. Our last issue of capital was made in 1946. Since that time we have acquired or established nine companies at home and overseas; the number of our offices here and abroad has almost trebled; we have ploughed back £1 million of Group profits. Group assets have increased from £8 million to over £34 million. But such facts as we have repeatedly put to the Committee have apparently been assessed as inconsiderable. Rejection of our applications has been intimated with no more helpful advice than that the Lords Commissioners of the Treasury were unable to give their consent to the proposed issue!

Any company with a record of usefulness such as ours, with such a remarkable expansion of business here and overseas, and of such financial strength, should command the greatest encouragement from the Government instead of repression.

In view of all the facts, I challenge the Chancellor of the Exchequer to give one single logical reason why we are not permitted to increase our capital.

As a nation our future is full of imponderables, and I doubt if anyone under present conditions would describe it as bright. And yet, were we to recover our common sense and accept our responsibilities, we could once more assert our position as a great world power.

Yet in spite of everything, our Group of companies—the UDT Group—has done well. It has a record of which we may be proud, and it is capable of greater things.

By opening up in the Dominions and by our expansion here, there is no reason why next year should not also establish a record.

The report was adopted.

ST. MARTIN'S LE GRAND PROPERTY COMPANY

The twenty-eighth annual general meeting of St. Martin's Le Grand Property Company Limited, was held on August 17th in London.

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

The past year has been one of all-round expansion. Rental income was £279,356 (£232,790); profit before taxation was £118,657 (£85,347) and profit after taxation was £50,455 (£37,348).

Two interim dividends totalling 9 per cent have been paid in respect of the past year to the holders of 1,296,000 ordinary shares (£648,000 issued capital). The directors now recommend that a final dividend of 1 per cent be paid on the present total issued share capital of £777,600.

During the year, the group has added substantially to its investments (1) by the purchase of the entire share capital of the Porkellis Property and General Investment Trust Limited, and (2) the purchase of an important freehold site and building in the busiest part of Buchanan Street, Glasgow.

The purchase of The Porkellis Trust has added to the group's portfolio a number of well-selected properties.

Since the end of the year under review, the parent company has made an offer, which has been accepted, for the well-known leasehold building, Adelaide House, King William Street, London, E.C.

In all purchases which the group have made in the last three years the directors have looked for improved rentals which can be secured over the next ten to twelve years as leases fall in, and we may now look forward to a steady improvement in income year by year, subject, of course, to no drastic change taking place in general trading conditions. The report was adopted.

CLIFFORD MOTOR COMPONENTS

The annual general meeting of Clifford Motor Components Limited will be held on September 8th in Birmingham.

The following is an extract from the circulated statement of the chairman, Mr S. C. Joseph:

The trading profits of the group before taxation amount to £466,664, which compares with £363,452 last year. Taxation this year totals £254,941, and there is left a net profit to the group of £211,723 (last year £158,181).

A conservative dividend policy has enabled your company to build up satisfactory reserves and we feel that this year we are justified in recommending a final dividend of 27½ per cent, less tax, making a total of 35 per cent, less tax, for the year (as against 30 per cent, less tax) and that a sum of £26,500 be capitalised from the capital reserves to be applied in issuing to the ordinary stockholders as fully paid one ordinary share of 2s. for every £1 nominal of ordinary stock held by them.

It is 25 years since the formation of your company. To mark this occasion your directors further recommend a "jubilee" dividend of 5 per cent on the ordinary stock (not subject to income tax).

Your directors thought that our employees should join in our "jubilee" celebrations and I am happy to report that this has been implemented in that our subsidiary companies last week marked the occasion by a bonus payment of one week's wages.

Competition and increased cost of production create serious problems. Constant research leading to improved manufacturing methods helps to counteract these difficulties, and we find that our ability to continue to sell at keen prices has resulted in an increased volume of trade.

NOTICES

THE EASTERN BANK LIMITED

The TRANSFER BOOKS and Register of Members will be CLOSED from September 2nd to September 15, 1954, both days inclusive.

By Order of the Board,
C. L. MANNING,
Secretary.

2 and 3 Crosby Square,
London, E.C.3.
August 18, 1954.

RHODESIA UNIVERSITY COLLEGE

SENIOR LECTURER IN ACCOUNTANCY

Applications for the above post are invited from persons who hold a recognised professional qualification in Accountancy and who have had practical experience since qualifying. It is desirable that applicants should hold a University degree in Commerce and have had some experience in lecturing.

The successful candidate will be required to lecture in advanced Accounting and Auditing to articled clerks studying for the Professional Accountants' qualification.

The salary scale attached to the post is:
£1,800 x £60 — £1,840
and is a consolidated scale, inclusive of cost-of-living allowances. The commencing notch on the scale will be dependent upon qualifications and experience.

A contributory pension scheme and medical aid facilities are under consideration.

Duties are to be assumed on January 2, 1955, or as soon as possible thereafter.

Applicants should submit before October 15, 1954, two copies of application, which should include the names of three persons to whom reference may be made, to the Secretary, Rhodesia University College, 115 Baker Avenue, Salisbury, Southern Rhodesia, from whom information regarding Conditions of Appointment, etc., may be obtained.

EXPERIENCED MANAGER, 45, well educated, widely travelled, 15 years independent commands in Industry and Commerce, seeks position.—Box 666.

MARKETING MANAGER required by Sunvic Controls Ltd. to assist General Sales Manager to organise sales promotion effort of the Company for the sale of a wide variety of instruments covering different fields. It is essential that he should have had extensive marketing experience and possesses an excellent commercial training and the ability to organise and direct staff and be able to co-operate with other executives. Whilst the products are of a technical nature and an engineering background or experience in the engineering industry would be advantageous, this is not essential.—Write, giving full details of age, experience, qualifications, etc., to General Sales Manager, Sunvic Controls Ltd., 10 Essex Street London, W.C.2.

UNIVERSITY OF BIRMINGHAM

INSTITUTE FOR ENGINEERING PRODUCTION

Applications are invited for the following appointments:

One ASSISTANT DIRECTOR, to be responsible to the Professor of Engineering Production for organising executive courses in Work Study, Production Planning, Operational Research and other management subjects, also lecturing and tutorial work in his own specialist field. Preferably applicants should be engineering graduates with experience in engineering production and industrial management positions. The appointment would be made for 2-3 years, in the first instance, and at a salary of £1,200-£1,800 p.a., according to qualifications and experience.

Three STAFF TUTORS, each responsible to the assistant Director for lecturing, tutorial and case study work on one of the following subjects:

(a) Work Study (Methods Improvements, Materials Handling, Work Measurement).
(b) Production Planning and Management Controls (Procedural Analysis).
(c) Operational Research (Statistical and Mathematical Methods).

Each tutor would require to have the appropriate training and specialist industrial experience in his own field. These appointments would be made for 1-2 years, in the first instance, at a salary of £1,100-£1,500, according to qualifications and experience. Leave of absence from an industrial company or other organisation for this period would be an acceptable arrangement.

Applications, giving full details of qualifications and experience, and the names of three referees, should be submitted in triplicate, before September 30, 1954, to the Registrar, The University, Edgbaston, Birmingham 15.
C. G. BURTON, Secretary.

MARKET ANALYSTS are required by Export Division of Ford Motor Company Limited, Dagenham, Essex. An honours degree in economics is essential, coupled with some knowledge of higher mathematics and statistics. Candidates must have a lively interest in export matters and practical experience will be a strong advantage. Knowledge of motor vehicles and/or tractors an asset.—Reply to Salaried Personnel Department, quoting reference FMR.

LOBITOS OILFIELDS LIMITED invite applications from recently qualified Chartered Accountants to fill a position about to be created in the London Head Office of the Group. The position holds very excellent prospects. A university degree would be desirable and a knowledge of Spanish an asset. Age not over 30. Commencing salary about £700-£1,000.

CAMBRIDGE UNIVERSITY HONOURS GRADUATE, 27, at present employed marketing with oil company. Public School. Army Officer. Much travelled—seeks appointment to give scope for initiative and hard work in old-established business at nominal salary with a view to eventual purchase of a worthwhile interest.—Box 673.

THE UNIVERSITY OF LEEDS

SENIOR AGRICULTURAL ECONOMIST (LIAISON OFFICER)

Applications are invited for the post of Senior Agricultural Economist to be largely concerned with liaison work between the Provincial Agricultural Economics Service and the National Agricultural Advisory Service. Salary: men—£900 rising to £1,070; women—£800 rising to £930. There is at present a bonus in addition. Applications (three copies), stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained), not later than September 27, 1954.

EAST MIDLANDS GAS BOARD

DEPUTY INDUSTRIAL RELATIONS OFFICER

Applications are invited for the appointment of DEPUTY INDUSTRIAL RELATIONS OFFICER at Area Board Headquarters, Leicester.

The person selected will be required to have a wide knowledge of personnel management generally and, in particular, of the principles and methods of determining the salaries, wages and conditions of employment of employees in a large scale organisation. Applicants should preferably also have had practical experience of staff establishment work and of the conduct of joint negotiations on a Area or National basis.

The commencing salary for the appointment will be £1,000 per annum.

The position is pensionable and the successful applicant may be required to pass a medical examination.

Applications, giving details of age, education, qualifications and experience, together with the names of two referees, should be submitted to the undersigned to reach him not later than August 31, 1954.

Beverley House, University Road, Leicester. August 5, 1954.

A. GWYNNE DAVIES, Secretary.

INDEPENDENT TELEVISION AUTHORITY

The Independent Television Authority invites applications for the following, to act as chief assistants to the Director General:

Deputy Director General
Chief Engineer
Solicitor
Director of Administration and Finance
Director of Programme Contracts.

Reply, stating age and qualifications, to the Chairman, c/o General Post Office, Headquarters, E.C.1.

EXCEPTIONAL OPPORTUNITY occurs for a young Honours Graduate to take charge of Research Division of Commonwealth-wide business promotion organisation. This is a position of unusual interest, demanding the highest inteiligence. Essential qualifications are : Energy, initiative, organising ability, an analytic mind. Knowledge and experience of any of the following will be useful : Economics, statistics, journalism, public relations, market research, world trade, languages.—Box 660.

RAPIDLY EXPANDING COMPANY needs young man (22-35) in their Accounts Department. This is an outstanding opportunity for a person with drive to become more than just another accounts man. Studying or willing to study spare time for accountancy qualification preferred.—Write "R.E.C.," c/o Dixons, 1-9 Hills Place, London, W.1. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.

THE Council of Industrial Design requires Senior Officers to cover each of the following industries: (a) Pottery, (b) Textiles, (c) Cutlery and Flatware. An interest in industrial design, and experience of the managerial, buying, sales, or design side of the industry concerned essential. Starting salary £910-£1,040, rising to £1,136, or £1,180-$1,270, rising to £1,408, according to experience. Women's rates somewhat lower. Contributory pension scheme.—Write (stating industry) for further information and application form to The Establishment Office, Tilbury House, Petty France, S.W.1.

INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED require a first-class Executive to take charge of the Corporation's Industrial Investigation Department, comprising engineers and other technicians, accountants, market investigators and other specialists. The Department has three main functions: the investigation of the businesses of new applicants; routine liaison with existing customers; and the provision of special assistance and advice to customers. Applicants for this post, which will command a substantial salary, should have first-class experience in industrial consultancy. Communications should be addressed to The Chairman, at 7 Drapers' Gardens, London, E.C.2, marked "Personal." All communications will be treated in complete confidence.

ASHRIDGE, Course 66. Economics of Industry and Trade. September 10th/13th.

Opening Address, Sir Raymond Streat, C.B.E.; The Overseas Trade Situation, Mr. Neil Caplan, M.A.; The Financing of Imports and Exports, Mr W. J. Thorne; Economic Factors in British Foreign Policy, Dr Franz Burger; The European Coal and Steel Community, Mr Basil Woods.

Inclusive Fee: £3 15s.

Applications to The Secretary, Ashridge, Berkhamsted, Herts. Tel.: Little Gaddesden 3191.

BRITISH INSTITUTE OF MANAGEMENT invites applications from ENGINEERS (25-35) for appointment as an Information Officer to assist in the field of Production Management. University degree or professional equivalent, and some industrial experience, preferably in Production Engineering, required. Must be able to write accurately and fluently. Good opportunity for young man wishing to increase his knowledge of management with a view to returning to industry in two or three years. Starting salary £530-£625, according to qualifications.—Applications, in writing, should be addressed to the Director, 8 Hill Street, W.1, and marked "IOP."

A SMALL but expanding manufacturing company in the East Midlands enjoying a high reputation in a specialist field of production requires executive capable of assuming responsibilities of Managing Director in fairly near future. Applications are invited from men with industrial and/or commercial experience in executive capacity preferably between 35 and 40 years of age. Prime requirements are strong and independent character, reliability and sound judgment. Technical or University qualifications helpful but not essential.—Box No. 984, Dorland Advertising Limited, 18/20 Regent Street, London, S.W.1.

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

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Statistician (CDE 63/7/03) in the Department of Agriculture, Kenya, to advise on the design of field and other experiments conducted by the Department including sampling, investigations and surveys, and to assist in the statistical analysis of results.

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Intending applicants, who should be between 21 and 40 years old, should write to the Director of Recruitment (Colonial Service), Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1, stating briefly personal particulars and qualifications and quoting above reference.

NATIONAL BANK OF INDIA LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the Bank will be closed from August 25th to September 7th, both days inclusive.

By Order of the Board
N. W. CHISHOLM,
General Manager.

26 Bishopsgate, London, E.C.2.
August 17, 1954.

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Full particulars and application forms may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications in London and South Africa is September 30, 1954.

BRAZIL

Commercial, manufacturing and financial information. Enquiries invited.—Littlejohn & Co., Ltd., Caixa Postal 7352, Sao Paulo, Brazil.

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Write, giving full particulars regarding personal history and work experience. Please include telephone number.—Box 659.

THE UNITED STEEL COMPANIES, LIMITED invite applications from mathematical statisticians for a post as Assistant in the Mathematics Section of the Research and Development Department. The candidate should possess a good honours degree in statistics or mathematics and should have an interest in the application of statistical techniques to industrial problems. Research or industrial experience desirable but not essential. Salary will depend on qualifications and experience.

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For BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS) (London Registrars for the above stocks),
G. A. D. HARRISON,
Manager.

Circus Place, London Wall, E.C.2.
August 10, 1954.

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THE GLACIER METAL CO., LTD., invites applications for the head office appointment of a General Manager (Sales). The company manufactures a wide range of plain engine bearings and standard products, employing approximately 2,500 in factories situated in London, Manchester and Scotland. The G.M.S. will be directly responsible to the Managing Director for organising, maintaining and developing the sales activities of the company. He will be responsible for working out sales policy and for customer contact. He will need to maintain effective relationships with the general managers for manufacturing and technical development. He will have as immediate subordinates technical and export specialists, representatives responsible for large customers and a sales manager, who has subordinate to him representatives for geographical areas. He will also be responsible for advertising.

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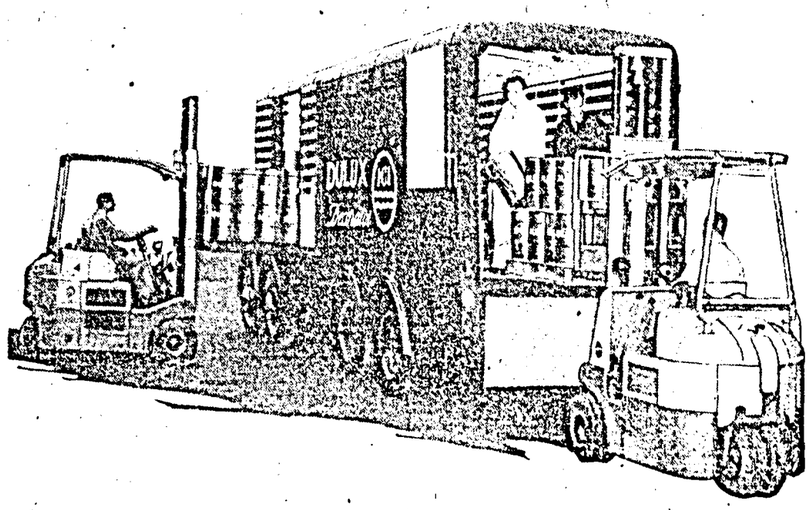
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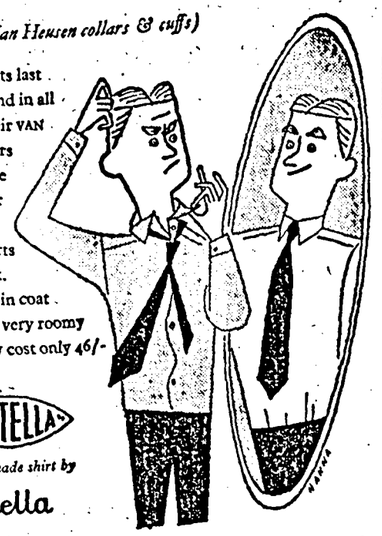
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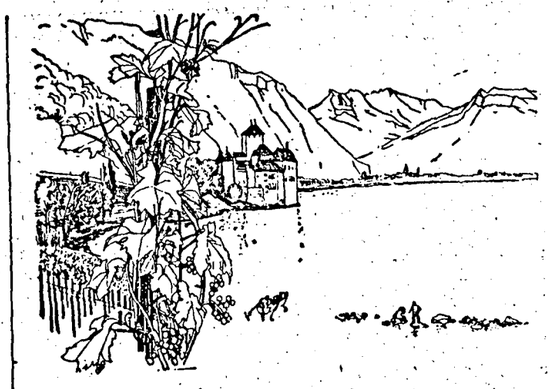
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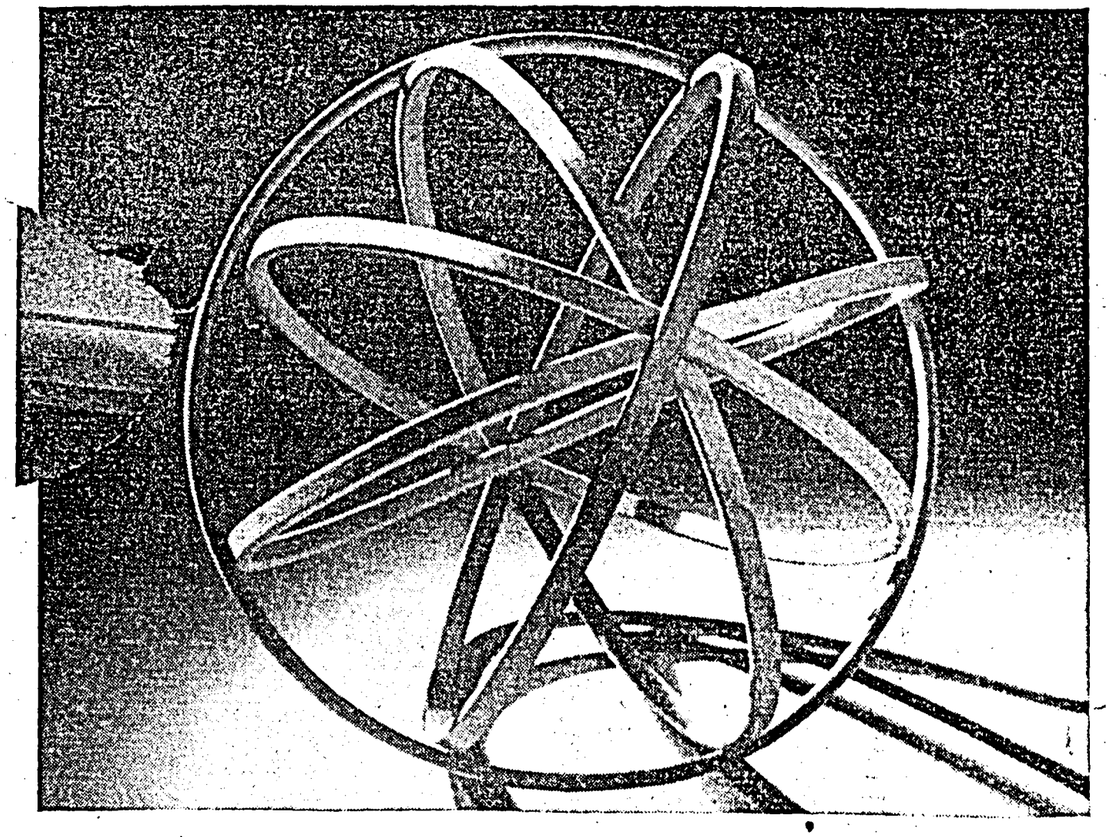
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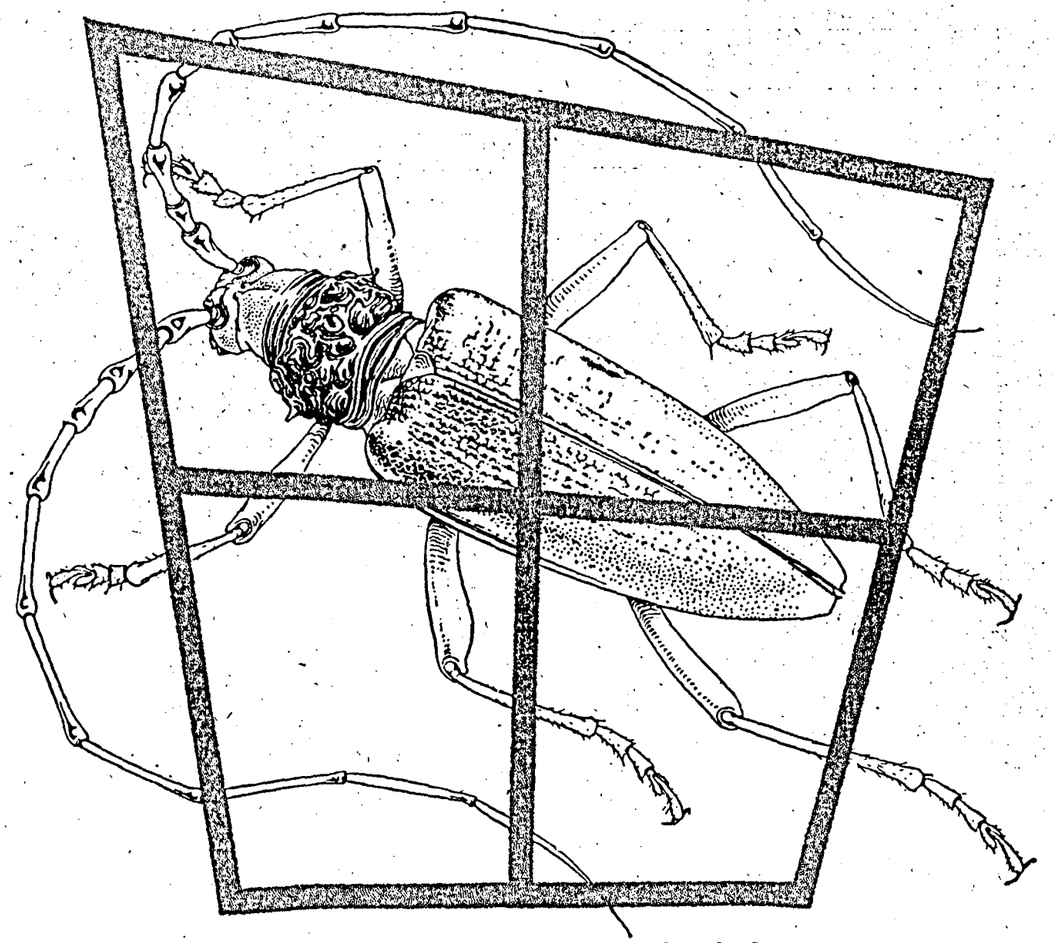
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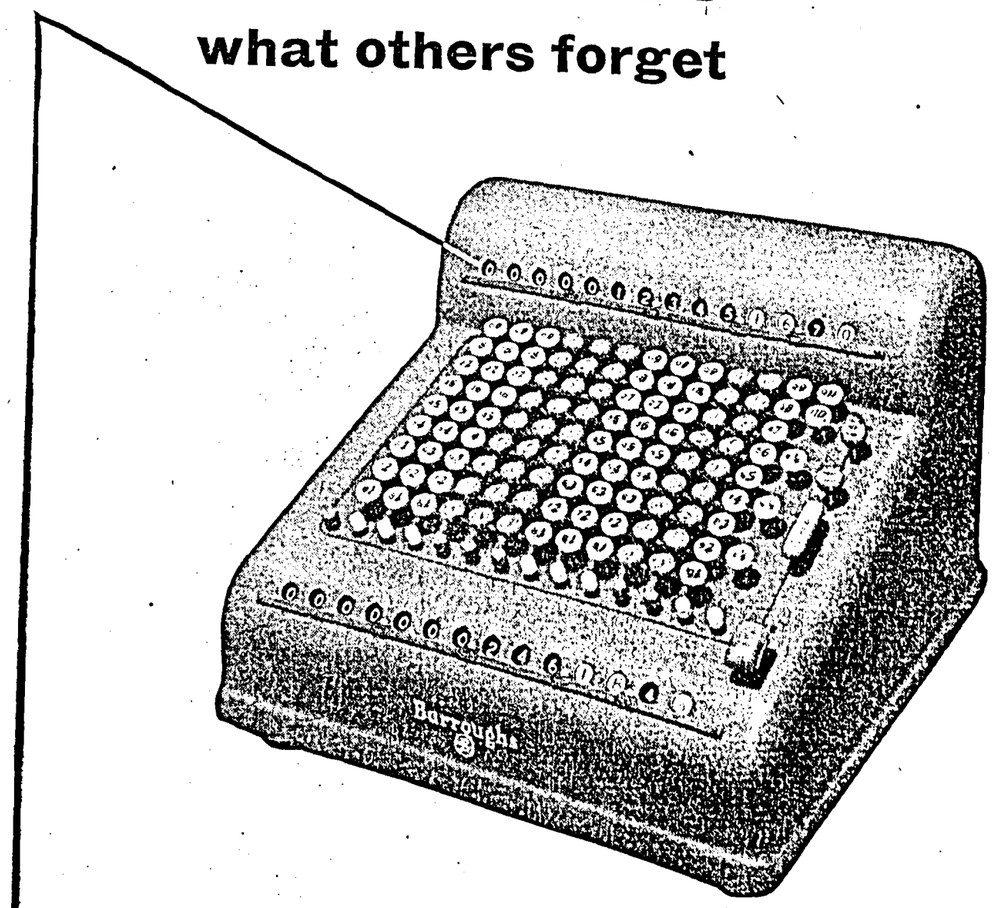


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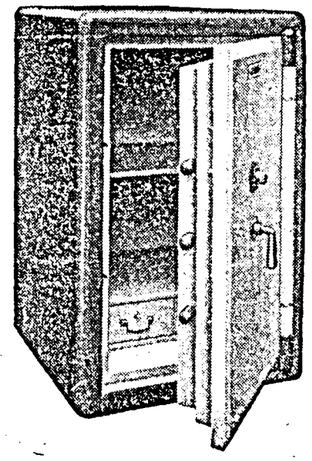
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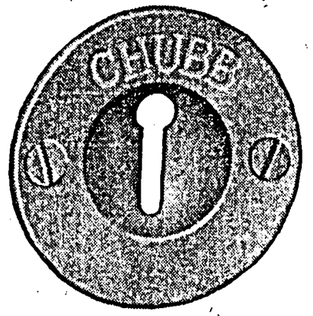
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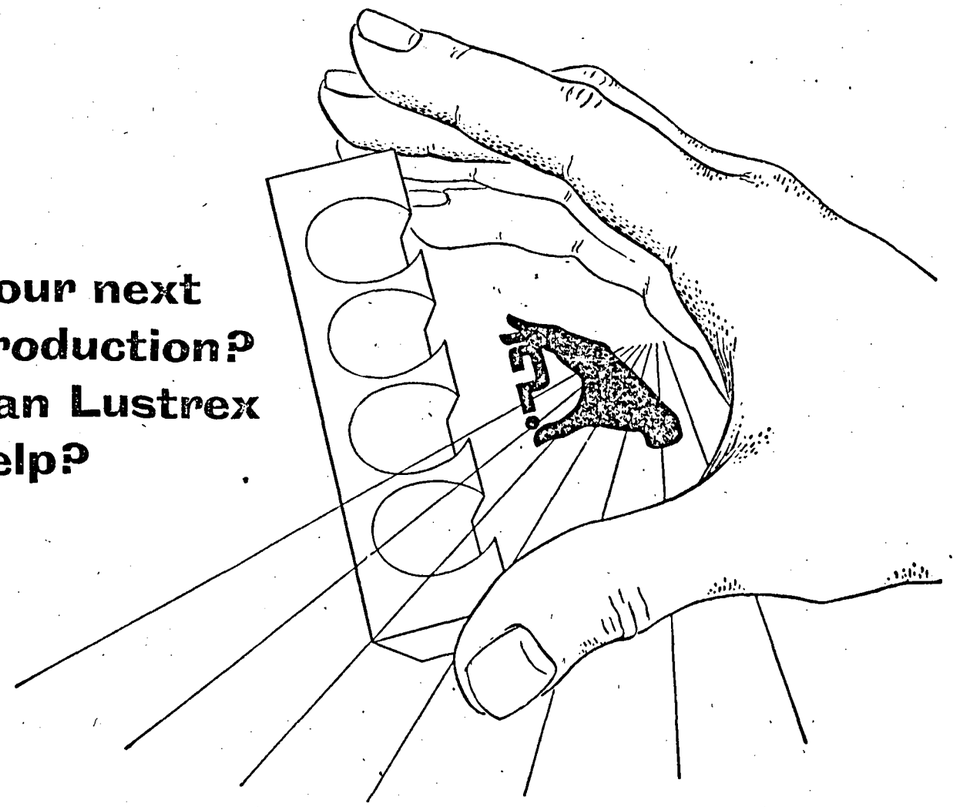
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ONE SHILLING

Shapeless Europe 637
Defender of Defence 639
Malaya's Rice 641
People for Export? 642

NOTES OF THE WEEK

Deep Waters in Peking; The Strange Debate; The Easy Six; Too Wooden Horse; Walking the Tightrope in Asia; Ripples Around Cyprus; Worries of the Greeks; Labour and the Colonies; It Did Not Happen; Heads of Steam; A Clear Win for Malan; German Strikes Hit Dr Adenauer; Eating on the Rates; Ultimatum at the Ballet; Piastre or Dollar?; All in the Same Boat. 644

LETTERS TO THE EDITOR . . . 653
BOOKS AND PUBLICATIONS . . 657

AMERICAN SURVEY

Partnership With Congress 660

Off to the Elections; Anti-Communist Thunder; Mutual Security for 1955; Something for Almost Everyone; Refugees Still Waiting; Shipping on the Seaway.

THE WORLD OVERSEAS

Siam in the Front Line 667

End of the Vargas Era; Notes from India; Italy Bereaved; Co-operation in Scandinavia; Orientalists at Cambridge.

THE BUSINESS WORLD

Britain Repays 675
Kaffir's New Character 677

BUSINESS NOTES

The Buyers Return; Radio Breaks Fresh Ground; The Widening Screen; Hire Purchase Set Free; Bullion Prices Rise; New Peaks in Tea Prices; The Viscount's Tally; Fresh Boost for Lead and Zinc; Fall in Export Prices; The Mines Lose Men; Long-Staple Contract for Liverpool; An Aircraft Bottleneck?; Prospects for Diesel Locomotives; Hungary's Next Move; BMC's Gas Turbine; Private Coal Mining; Shorter Notes. 679

COMPANY NOTES AND SECURITY PRICES 690
STATISTICS 693

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Shapeless Europe

IT is tempting to say, after the breakdown in Brussels and the French Prime Minister's departure from Chartwell, that the issue between France and its allies is at last clear. There is a point in every great enterprise where failure seems preferable to uncertainty, and it seems virtually certain that the EDC treaty will not survive the debate in the National Assembly that begins today. But it would be a grave error to think that its disappearance will leave the way clear for rapid progress with alternatives. It is not certain, for example, that M. Mendès-France will survive next week's ordeal. If, by some miracle, the treaty were accepted he might well feel obliged to resign after the fundamental criticisms he made of it in Brussels. If the treaty is defeated, there are good Europeans among his majority who may choose to bring him down. And even if he survives, and brings all his prestige into the next stage of dealings with Germany, it is far from certain that the Assembly will tolerate the alternative plans that have been suggested. Those who oppose the rearmament of Germans will take no comfort from the proposal to bring Germany into Nato; those who want a united Europe will not be content with an attractively labelled military alliance. In fact, M. Mendès-France can give no guarantee that he will be any more successful with alternatives to EDC than he has been with the treaty as it stands.

In a matter of days the man who was to save France has led his country into a position of conspicuous isolation from its allies. That fact alone may sway some of the sixty-odd votes that are wavering in the chamber. If it does not, if the deputies say in effect, "We prefer to stand alone," there will have to be hard thinking in Washington, London and Bonn about what is to be done next in Europe. For France has been regarded hitherto as indispensable to any western defence system, whether it be called Atlantic or European. It is the rear area of a great allied force; across it run the communications to the ports which tap the strength of the United States and Britain; it contains an amount of sheer real estate, of permanent military construction that makes Frenchmen shrug their shoulders at American talk about peripheral strategy. In other words, any alternative plan for knitting Germany into a western defence system is exposed to a French veto. It need not, like the EDC Treaty, require positive ratification by the Assembly; but the Assembly, if it disapproves, could exert its authority by bringing down the Prime Minister.

It is important, therefore, to assess exactly in what respect France and its partners differ, what it is that a majority of French deputies want and fear. That, again, thanks to M. Mendès-France, is now easier than it was. First, it is clear that the Assembly is not prepared in spirit for a rapid surrender of sovereignty to a European body. It was the insistence of Dr Adenauer, M. Spaak and others that the supra-national arrangements of the EDC should not be delayed that

made compromise at Brussels impossible. What they held to be vital the French held to be intolerable. Even if the present treaty did survive next week, the French would advance towards a federal Europe only with caution and reluctance. This is a curious and significant fact: it means that the clauses of the EDC that offered the best safeguards against the misuse of German forces by a nationalist government in Bonn were precisely those that many Frenchmen rejected.

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From this follows the second point. Because Frenchmen will not trust in a set of institutions to protect them against German energy, efficiency and ambition, they demand the help and protection of friends on the spot. They want Britain in the EDC—modified and reconstructed if necessary—or Britain and America more closely committed to some alternative. What has been already offered in guarantees and allocation of forces is not enough; they want more protection for a longer period. Failing this, many deputies, supported by 100 Communist votes in the chamber, would like a European understanding with the Soviet Union, if necessary at the expense of Germany.

On one or two other points the evidence is still doubtful. From time to time French statesmen have spoken eloquently of an Atlantic community, within which the European community would nestle as a kernel lies within a nut. They have seemed to prefer a large and loose club, in which France and Germany would have the company at table of America and Britain, to a tight and small club that would leave them tête à tête. They have also shown interest in setting up the scaffolding of a political community for Europe before going ahead with defence and economic organisations. And there are old and cynical minds which will advise any French premier that French policy must approach the future with room to manoeuvre, winning commitments from others but itself remaining flexible.

New elections in France or a period of stable government might bring more order into this picture. But the main features are clear enough to warn the western allies that alternatives to EDC, if needed, must be imaginative, generous and capable of growth. It will not be enough to have the EDC without the C, a military alliance that pretends to be something like General Eisenhower's allied command in 1944; or to make Germany a member of Nato under special conditions that are not accepted by other members. And it will not do to set up some structure that will face collapse if some method is one day found for the peaceful reunification of Germany. The West must win Germany and Germany must want to stay with the West: that is the supreme object of allied policy in Europe.

The conclusion is unmistakable. It is that Britain, and if possible the United States and Canada, must come even closer to Europe while the embryo of its new body politic is growing. There must be no doubt about their loyalty, their patience and their protection. If they had already succeeded in calming all doubt the EDC would have come into existence a year ago; now to get the next best thing to EDC they must try again. The crisis of the last few months between Europe, the United States and Britain has been a crisis of confidence; the trust built up by Mr Bevin, Mr Acheson, M. Schuman and Dr Adenauer has been deeply shaken. The first necessity is to restore it.

Then there is another task, no less difficult. EDC or no EDC, whether the Assembly says Yes or No by a large or a small margin of votes, the freshness and dignity of the European idea have been spoiled. The opportunity for rousing a new loyalty in Germany has slipped past. Young people in Europe have watched old people haggling over an ideal, and they have got older and sourer as they waited. Even if EDC were to be ratified now and the Bonn conventions came immediately into force they would no longer be greeted in Germany as brave and honourable gestures; they would be accepted as the pay-off after a hard bargain. If western integration and the organisation of security are not to become the object of sheer *Realpolitik*, a new political idea will have to be found, an objective that appeals to generous minds.

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Where is the impulse to come from? Europe, without perhaps realising the fact, has come to expect ideas as well as dollars from the United States. But there is no sign of intellectual ferment in the circles around Mr Dulles. By his anxiety to be different from his predecessor, by his personal exultation in the problems of strategy and his preoccupation with the Far East, the present Secretary of State has discouraged creative thought. Arteries in the State Department seem to have hardened. So passionate has been the devotion to EDC in Washington that it would be unfair to expect fresh thinking in the midst of disillusion. Is the idea then to come from France, or from Germany? Almost certainly not. Dr Adenauer must be near the end of his tether, and M. Mendès-France is interested first and foremost, as he is entitled to be, in his own treatment of his nation's economic and social ills.

What signs are there of readiness in Britain? The consolidation of the Atlantic alliance began to waver from the moment in May, 1953, when the Prime Minister first trod the path that has led to "peaceful co-existence"—and Mr Attlee's parody of it. He is not the man to turn back. Mr Eden is more interested in the settling of disputes, the smoothing away of tension than in the initiation of ideas. His statesmanship is that of the masseur not that of the surgeon. The Foreign Office is still obsessed with the vision of an almost exclusive intimacy with the United States, to be conducted side by side with leadership of the Commonwealth and the honorary—very honorary—presidency of Western Europe. The Service advisers, while admitting in private Britain's complete involvement in the defence of Western Europe and the dominions' growing dependence on American military power, maintain in public the pretence that they can exercise effective power in three great areas. The obstacles in London to fresh thinking are formidable.

Yet events may force it out. If Germany is in some way to become a partner on terms acceptable to France, then Britain must appear to stand more solidly and visibly on the Continent, as a participant and not merely as an external guarantor. If security can be got only by integration, then Britain may be forced to take part, if only during a period of trial during which French and Germans learn to trust one another. It might well be that such a period of trial would prove how frail are the arguments that purport to show that leadership in Europe is incompatible with leadership in the Commonwealth. It might be shown that Britain commanded more influence in the world and more respect in the United States as real leader of Western Europe, than as a power pulled this way and that by the claims of Europe, the Middle East, Far East and Africa. If Britain showed itself ready to act as a European power, it might excite in the United States a new interest in making the Atlantic Community a reality and Nato something more than a grand coalition.

The moment is crucial because the struggle over EDC coincides with a determined and skilful attempt by the Soviet Union and China to split the western partners. That attempt looks benevolent and it may well have a peaceful intention; why use force, or even the threat of force, if diplomacy will do the trick? But the ultimate intention to isolate the United States from its partners and to exploit the rivalries within the free world is malevolent. The fear that once drove those partners together into such great ventures as the Marshall Plan and Nato has diminished, and none will regret the fact. But its place has to be filled by the kind of statesmanship that looks beyond imminent elections and parliamentary reputations to the future world of atomic energy, guided missiles, an industrialised Asia and a restless Africa. In what shape is free Europe, from which Britain cannot escape, to confront that world?

Defender of Defence

ON the day that Sir Winston Churchill retires—and still nobody knows when that will be—Lord Alexander has said that he will also retire from the office of Minister of Defence. This suggests that the Government will be deprived, at a single swoop, of the man whose interest and the man whose job it has been to co-ordinate the defence programme. For the Ministry of Defence exists to watch over the watchmen and over the pressures that bear down upon them; each of the three service Ministries—the Admiralty, the War Office and the Air Ministry—has been concerned partly with reshuffling its own cards to accord with changing strategic conceptions, but also partly with ensuring that the other two services do not steal too much responsibility from it.

Lord Alexander's successor will therefore have a very embarrassing task, and it will not be made any easier if he enters upon it with the reputation of having fought for one of the three service factions underneath. But if he is to be a man who knows anything about defence, he almost certainly will have this reputation. At present, there are said to be two principal candidates in the field. One is Mr Duncan Sandys, whom many Admirals and Generals regard as being "in the pockets of the airmen," with his imagination already soaring on the wings of some guided missile half-way to the moon; his appointment might be particularly ill received by the Navy. The other possible choice is Mr Anthony Head, who has been a success at the War Office and who seems to have handled his various struggles with the Air Ministry (for example, about who should control the army's helicopters and about how many aircraft he should have to fly troops home on leave) with statesmanship and tact. But if the Air Marshals fail to get one of their candidates into the co-ordinating Ministry, they might make disgruntled noises under his reins.

It is in this atmosphere that some people have set out on a search for a compromise, and they have thrown up a question that they believe should contain the seeds of one. It is: why have a Minister of Defence at all? On the face of it, there may seem much to be said for not having one. The office of Minister of Defence was originally created in order to allow the Prime Minister to act as master-strategist during the war. The idea of a super-Ministry, watching over three separate chicks, often works unsatisfactorily in peacetime. The Minister turns from one subordinate department to another, telling them that the Treasury will not allow enough money for all their plans or that they are treading on each other's (or the Prime Minister's) corns. The hands that are on the levers of action are not those of the co-ordinating Ministry; the levers are pulled lower down, although perhaps not in such profusion or in so many different directions as would occur if the departments were left entirely on their own. But this task of enforcing co-ordination—the impolite would say of enforcing compromises—is not necessarily one that only a Ministry can perform. If in the last few years directives had come straight down from the Cabinet Defence Committee and from the Treasury to the Chiefs of Staff, and if the Chiefs had been given more power (together, perhaps, with a permanent chairman), then the results might not have been very different from those that have been achieved while Lord Alexander has been at the helm.

This is the case against the retention of the Ministry of Defence in the awkward personal circumstances that are now arising. It is a completely mistaken case. For the need in the coming months will not be for some body (any body) to do the job that the Ministry of Defence has been doing in recent years. The need will be for some prominent political figure to do a job much tougher and much more important than that.

There are two reasons why new and unshirkable burdens are being directed towards the Ministry of Defence; they arise from the hydrogen bomb and from the political manoeuvres that are now in train in advance of next year's expected general election. Of these, and in this context, the hydrogen bomb is the less important. Sir Winston Churchill's dictum that the bomb has rendered all previous strategic conceptions "utterly obsolete" does not mean that it has rendered the aims of Britain's defence programme utterly obsolete too. The principal of those aims is not to enable Britain to win a thermonuclear war but to enable it to help prevent one—by standing on guard at vulnerable sectors of the free world's perimeter, and by advertising to the Communists that advances beyond these points cannot be achieved by painless infiltration but only at the risk of a world conflict. This aim has not been changed by the force of this year's explosions, nor has the paramount political need for Britain to show that it is still determined to provide its due share of manpower and weapons for the combined forces of the western alliance. All that has changed is the strategic and tactical situation in which these combined forces would operate, if the worst should befall.

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This change in hypothetical strategy and tactics is, however, sufficiently marked to necessitate fairly extensive new planning within all three services—indeed, within all four, since civil defence is clearly more crucial than ever. It will be surprising if this new planning does not show that some switches in the direction of effort as between the services are desirable; the shares of expenditure that should be allotted to the navy, army and air force in the thermonuclear age are not likely to be exactly the same as the shares that were appropriate before the bomb burst. This means that the Ministry of Defence will have to face its familiar problems of co-ordination, of reallotting expenditure between the services, in new and particularly difficult circumstances. For this reason alone it would be folly to disband it at this time.

The hydrogen bomb has also had an indirect effect on the general—and even more crucial—political problem before the Ministry. There is now a dangerous tendency in some quarters in Britain to send military as well as civil defence to Coventry. The Coventry Council's attempt to deprive their city of effective civil defence, in the belief that this would encourage Mr Malenkov to ban the hydrogen bomb, stemmed mainly from astonishing personal arrogance, from the sort of international "political strategists" who need to be seen to be adequately disbelieved. But it was also able to exploit the vague and more widespread feeling that an atomic war, if once it started, would be so horrible that there is not much that can be done about it. And from this general bomb-unhappiness there is arising a new school of near-pacifism—a school that considers that it is extravagant, while preparing against a horror that would be too vast for any preparations to suffice, for Britain to conscript its youth to the colours for two full years and to spend on defence more than one out of every ten pounds it earns.

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There is a very real danger that some infection from this feeling will lead both parties into paths of irresponsibility in the next few months. It is now touch-and-go whether Labour will adopt the demand for an immediate cut in the call-up period as part of its official policy. This demand would not spring from any real conviction that the forces that are now being pulled back from Suez and Korea are not needed as a strategic reserve in Britain; nor would it spring from any intensive study of the adequacy of the present call-up to cope with the increasing complexity of modern weapons. It would spring solely from Labour's desire to advocate something popular, from the party's traditional tendency to act as inverted Goerings; whenever the Reichsmarschall heard the word "culture" (which he did not understand) his first instinct was to reach for his gun, but whenever Labour hears of any defence or economic problem that it does not understand its first instinct is to throw its guns away. And, lest this should be regarded as a criticism of Labour only, it should be said that a rather similar sense of irresponsibility could infiltrate, at a slower and more stately pace, through the Conservative party in the next few months. Mr Butler is searching desperately for economies in Government expenditure that could make his pre-election budget a popular one. Without really meaning to, he might be persuaded to lay his axe at the tree of national security itself.

It is to resist these pressures that a strong Minister of Defence will be needed. If the demand for cuts or economies were allowed to bear down directly upon the individual service departments or upon the Chiefs of Staff, who are always arguing among themselves and who have, in any event, a vested interest in high military expenditure, impatient politicians might pretend to feel justified in riding over their objections to the popular policies beyond. The bulwark must be a strong Minister, a prominent member of the Cabinet, who can see the defence situation as a whole and whose resignation—if political pressures swarmed past him—would be a sign to the country that something had gone very badly wrong. The office will not be an easy or popular or rewarding one. It is for that very reason that it is essential that it should be filled.

Malaya's Rice

HAVING made a bonfire of so many out-dated controls in Britain, the Government should turn its attention to the East. There, in Malaya, rice is still rationed, although there is a glut in South East Asia as a whole, and the area is now running a surplus of about a million and a half tons a year. Moreover, the price at which the ration is sold is nearly as high as it has ever been and there is no apparent prospect of its going down, since the Malayan government holds considerable stocks of rice that were bought at peak level. At a time when the prices of its main exports, rubber and tin, have fallen on the markets of the world, the high cost of food puts a strain on the Malayan community that is increasingly difficult to bear and increasingly difficult to justify.

Perhaps this situation would not greatly matter to the outside world, if South East Asia were quietly at peace and there were no cold war. As things are, with Malaya still the scene of a critical struggle with the Communists, the very fact that the main emphasis has shifted from the military to the economic and political battle makes the effects of the rice muddle that much worse. For unless it is cleared up within the next twelve months, the Communists will gain a propaganda handle that they can exploit in every kampong in the country.

The reason for this paradox of continued rationing in the midst of plenty is fear, or rather a complex of various official fears. The first and most natural has been a fear of shortage. In the years of scarcity immediately after the war there was, indeed, a danger that Malaya would run out of food and might be held to ransom by the growers in Burma and Siam. That danger is long since past. Up till about 1949, when the International Emergency Food Council (IEFC) came to an end, bulk purchase and the allocation of rice were the only satisfactory ways of warding off famine and malnutrition. But the end of the IEFC quite rightly marked the end of a period. And while rice was by no means plentiful enough to warrant the immediate abandonment of local rationing, the position has steadily improved since that turning point. The Malayan government recently issued an apologia in the form of a White Paper, in which it asserted that, if the authorities had not been in the rice market during the past three years, the consumer would have had to pay a higher price. But the mention of three years sounds like a twinge of conscience. For if the price might have been higher without controls at the beginning of that period, it would certainly have been lower at the end.

It is easy for government servants to argue that, where there is a rationed price, a free market price would be higher. Of course it would. In Malaya the cost of special fees and licences, to say nothing of a touch of corruption, have all entered into the free market price. The government, which has a monopoly but tolerates a small free market in addition to rationing, is unlikely to sell to the free dealers at less than the official price; and the relatively small number of successful smugglers will certainly try to get something near the prevailing free market rate. Meanwhile, the consumer suffers. Not only is his cost of living high, but rationed rice is not as good as it ought to be. It has usually been kept in store too long; there is less variety of quality than there was before the war when the trade was in private hands; and, on the whole, the grades of rice available from the government are poorer than they used to be under private trading.

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Against protests from consumers and traders alike, the government defends itself by hinting at other fears. If there is no actual shortage today, it says, there may be tomorrow. Although little is said in public, the only possible meaning this suggestion could have is that Siam or Burma will soon fall into Communist hands, and will then refuse to sell rice to Malaya. While the political prospects in Burma are improving, it is true that recent events in Indo-China have brought danger much closer to Siam. But even if Siam fell during the next few months—which is a big "if," considering the efforts about to be made at the Seato conference to prevent such a possibility—is Malaya really going to be able to save itself by stockpiling rice? Rice is notoriously a difficult commodity to store, and the stock has to be turned over virtually every season. A strategic reserve could postpone crisis only by a matter of a few months.

People in Malaya feel that one reason why the government clings to a policy which can no longer be economically justified is the human one that many of the officials concerned would lose their jobs if it were abandoned. Whether that is true or not—and it is unlikely to be wholly untrue—there is yet another official fear which may be the hardest of all to overcome. It is argued in London, even more than in Malaya, that the very danger to Siam makes it more important than ever to keep the Siamese happy. Their economy is directly geared to the price of rice, and a fall would materially help the spread of Communism. But this, surely, is to force the boot on to the other foot with a vengeance. Instead of saving Malaya by keeping up supplies, Malaya is to subsidise Siam indefinitely. If that is the real truth of the argument, then it is time a more realistic attitude were adopted, not only towards the political position in Siam, but to the bleak economic prospects at present before Malaya.

The fact is that the Siamese are at present making a good thing out of their rice. The cost of production is rather less than half the export price, and the balance goes into the pockets not only of the government, but

of members of the government. In addition, British official purchases are so timed, and are usually made in such bulk, that they set the standard for rice prices all over South East Asia. Selling governments, having made a deal with Britain, know that they can stand out for the same sort of terms from others; in certain circumstances it may even pay them to let the rice rot rather than allow the price to fall to a truer economic level.

The case for returning rice to private trading has become strong. What is more, the longer the changeover is delayed, the harder it becomes to make. In Siam, the growing surplus means that the drop in the price obtainable from merchants who have lifelong experience of trade might already be enough to give the economy a horrid jolt. In Malaya, the government is bound to lose heavily on stocks bought at fancy prices. But the laws of supply and demand cannot be flouted indefinitely, except at an unwarrantable cost, and it is the people of Malaya who at present have to foot the bill. Considering the political and economic demands already being made upon them, it is quite wrong that they should continue to do so. If prosperity and political progress are to flourish in Malaya, both London and Kuala Lumpur must bring a greater sense of realism into their economic policies.

People for Export?

EMIGRATION, like commercial television, antivivisection and the slaughter of horses, is a subject that shatters the quiet of London clubrooms and provokes passionate letters in the columns of *The Times*. At present it is more than usually a matter for heartburning, for in spite of what is being done to promote it, emigration from Britain to the Commonwealth has fallen slightly. The Board of Trade's latest returns show that in the first quarter of this year about 33,000 people emigrated. This was some 5 per cent less than in the first quarter of 1953; and emigration in the full year 1953, amounting to some 155,000, was 15 per cent lower than in 1952. Is the postwar spurt already becoming exhausted? Does it matter if it is?

In the last nine years the policy of encouraging emigration to the overseas Commonwealth has been more vigorous than is generally credited. As far as can be judged from the unsatisfactory statistics available, Commonwealth countries have been receiving between 110,000 and 150,000 emigrants from Britain a year, and sending to Britain 50,000 or 60,000—including an unknown number of United Kingdom people who have changed their minds and come home again. Australia has received more migrants than any other country, because it is the only Dominion to have a joint agreement with the United Kingdom under the Empire Settlement Act (which was last renewed in 1952). Under this agreement the United Kingdom pays a lump sum of £150,000 towards the cost of fares, while the Australian Government contributes the rest, apart from £10 of each fare which is paid by the emigrant himself. New Zealand pays the whole passage money for rigorously selected emigrants up to the age of 45, but makes no call on United Kingdom resources on the ground that it is enough to be taking some of its more virile workers. Canada, on the other hand, takes the view that so much assistance may attract less desirable types, and it merely offers to suitable migrants the loan of their fare, which must be repaid within two years. In spite of this, Canada has been second only to Australia in its power to attract immigrants, and in 1953, after Australia's official programme had been temporarily cut by half, it was second to none. Southern Rhodesia has had to establish a quarterly quota and so far has offered no assistance. Nor does South Africa, which has little demand for white labour except of a trained technical kind.

The Dominions, up to the present, are fairly well satisfied with the rate of emigration in so far as it affects their individual development. But should Britain be satisfied too? Three arguments are customarily put forward by those who would like to increase the rate of outflow. The first—and worst—is strategic. It is asserted that it is folly to concentrate so much of the Commonwealth's industrial potential in places that would be the first and easiest targets of the hydrogen bomb. Very large segments of Britain's population and industry should therefore be moved to the overseas Commonwealth in the next fifty years, just as the Russians have moved so much of theirs behind the Urals in a much shorter period. The answer to this argument is that unless the policy were carried out on the very largest scale it would bring more weakness than strength. The industrial complex of the United Kingdom is one of only three or four in the world large and varied enough to sustain a major war effort; even so it has some deficiencies. To chip little bits off it and send them to the ends of the earth would merely increase its weakness without creating a correspondingly integrated complex elsewhere—even if it were politically possible for all the bits and pieces to be re-assembled in one country. For the policy of strategic removal to make sense would require the removal of at least a score of million people and thousands of millions of pounds worth of fixed capital. This simply could not be done in a democracy. Even to move 15 million people out of Britain over the next half century would be impossible without compulsion. It is true that a Gallup Poll taken about two years ago disclosed that one family in three would be willing to move to the

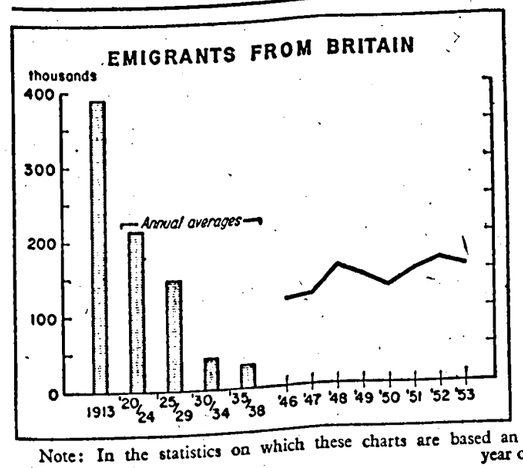
Dominions; but that was just in theory. The strategic argument also ignores the fact that Atlantic defence policy is based on deterrence by strength now, not by the absence of targets in 50 years' time, with all the weakness caused by violent upheaval in the meantime.

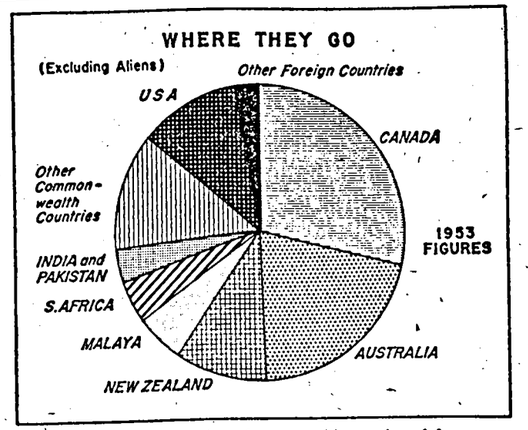
The second argument in favour of mass emigration is supposed to be economic; it is based on the fact that Britain cannot feed itself, and on the fear that in the long run the terms of trade will become less rather than more favourable. This forecast cannot be proved; even if it could those who support this theory ignore the fact that British emigrants do not now go overseas to grow food for Britain. They did so when there was too much food already; but now they go to work in industries that compete with British industries, often behind tariff walls, and they will eat more and more of the food that once was exported to Britain. Their emigration may well reduce the volume of Britain's industrial exports quite as much as the need for imports of food, leaving the balance worse than it was.

★

The third—and possibly the best—argument in favour of more emigration to the Commonwealth is that it may be the only way to enable the link with Britain (and the propensity to buy British) to be effectively preserved. The Dominions already try to keep up the British element. New Zealand, for example, is particularly anxious not to dilute its Commonwealth blood—apart from a sprinkling of suitable people like the Dutch. In 1953, the year of highest immigration, 29,000 people emigrated to New Zealand, of whom 22,500 were from the Commonwealth, and 15,000 of those were from the United Kingdom. In Australia, the British have accounted for about half the 800,000 people admitted since the present settlement scheme began in 1947, and this is still the proportion aimed at. The other half is very mixed; it includes 10 per cent Italian, 9 per cent Polish, and 6 per cent Dutch, as well as large numbers of displaced persons received through the International Refugee Office. But this dilution does not seriously threaten the British character of the population. In 1946 over 97 per cent of Australia's population were of United Kingdom stock; it is estimated that when the population has risen from its present 9 million to 10 million, those of British descent will still account for about 90 per cent. In Canada there is even less worry about this ethnic question, although the British are admitted on easier terms than other migrants. Any British person of good health and good character can go to Canada without the usual selection by occupation. But otherwise the Canadian Government lets things take their course. It has not been a Commonwealth course. Out of over a million immigrants into Canada since the end of the war, only one-third have been British.

The principal lesson of Canadian experience would seem to be that the British element of the population can be considerably diluted without weakening the ties that bind the Commonwealth. But is there a secondary lesson: that Britain, in the name of Commonwealth solidarity and strength, has been making an unnecessarily heavy sacrifice of skilled workers who are badly needed in a country where there is already a shortage of youth and an excessive proportion of old age pensioners? The agreement with Australia is supposed to take account of manpower needs in the United Kingdom; no attempt is made to recruit workers whose present occupation is in essential industries that are short of labour here. Some slight effort is also made to avoid taking only active workers while leaving their aged dependants behind; whole families, including grandparents, can have their passages paid if they accompany a successful applicant of under 45. Nevertheless it is obviously the skilled workers and the young people who are going. In 1953 of 65,450 people who emigrated from the United Kingdom to ports outside Europe, all but 9,000 were





Note: In the statistics on which these charts are based an emigrant is defined as one who takes up residence abroad for one year or more.

under 45. Of the 47,900 who were aged 15 years and over, 2,700 were agricultural workers and 8,500 were from the engineering and metal trades, while only 1,000 were unskilled labourers. These losses were, of course, partly offset by gains from immigration into Britain, which were particularly marked in the professional and managerial group. But there remained a loss amounting since the war to some 600,000 people, most of them active people. No one would suggest that they should have been prevented from emigrating, any more than that they should be compelled to do so. But whether they should be enticed away with assisted passages is another matter.

The Government has already given notice that it may think again about its migration policy. When the agreement with Australia was renewed last April it was for one year only—instead of two as the Australians asked—on the ground that the whole subject would be reviewed. It should be reviewed, and on a Commonwealth basis. It may seem strange to suggest yet another inquiry when there have been so many already, or to take refuge in the usual haven of unconstructive criticism by calling for a Royal Commission. But before any new decision is made the issues involved need a fresh and more dispassionate examination. This, more than most matters of public policy, is one where the true public interest requires disentangling from the emotions, natural and noble though they are, that arise on its first contemplation. The strategic situation has changed and there is a wealth of new experience in postwar migration to be taken into consideration. Would it not be possible to grant a Royal Warrant to a Commission to which the dominion governments might propose members? That, in itself, would be another welcome sign of Commonwealth solidarity and strength.

Notes of the Week

Deep Waters in Peking

IN Peking Mr Attlee and his party seem to be getting into ever deeper waters. They are not, it is true, being overwhelmed by the advantages of life in People's China ; many of the delegates clearly have their reservations about these. But in their talks with the Chinese leaders they are running the risk, perhaps involuntarily, of getting completely out of their depth.

Probably Mr Attlee and his colleagues had little inkling of the diplomatic methods to be adopted by the Chinese ; these are unusual, to say the least. The Labour party leaders are being treated as if they were certain to form the next government in Britain ; this must be slightly embarrassing for even the most self-confident amongst them. Every effort has been made to persuade them to oppose the plans for a South East Asian defence organisation that are to be discussed at the Philippines conference next month ; and Mao Tse-tung, in his first meeting with the Labour delegates, apparently made a frank attempt to persuade Mr Attlee to follow the Communist line in foreign affairs and to expound, presumably in the House of Commons, a policy that would certainly cause grave difficulties with the Americans. What exactly was said at this meeting is not known ; the Labour delegates, several of whom have their own journalistic commitments, are being consistently tight-lipped. But it is believed that Mao proposed that the United States should withdraw its Seventh Fleet from Formosa's neighbourhood, that it should cease pressing for the rearmament of Germany and Japan and that the delegates should persuade the Labour Party to follow a "more reasonable" foreign policy. What he offered in return is unspecified, but it was probably one or more Asian non-aggression pacts. Mao Tse-tung's price for peaceful co-existence is high.

There is an air of bizarre unreality about conversations along these lines between the Chinese Communists and the representatives of the British Opposition. What the Chinese hope to get out of them is obvious enough. What Mr Attlee stands to gain from them, apart from a good deal of embarrassment, is not so clear. Mao's reported demands do not even reveal anything new about Peking's policies, unless it be the fact that its active interests apparently stretch beyond Asia into Europe. What they do reveal, however, is the immense self-confidence, determination and even effrontery with which Mao and Chou En-lai are pushing their plans. If Mr Attlee and his friends grasp this, and if, moreover, they have been able to give the Chinese a better understanding of British interests, their journey might turn out to have been really necessary.

The Strange Debate

HOWEVER carefully he treads, M. Mendès-France may be faced next week with a spate of resignations and a crumbling majority. Whatever he says about the EDC Treaty in the debate opening this week-end will offend someone in his cabinet. Thus the EDC Treaty is finally launched on the parliamentary arena in the strangest and most unpropitious circumstances. The premier presenting it has just been arguing in Brussels how unacceptable this document was in its present form ; he can hardly be expected to have changed overnight from stern judge of the treaty into its enthusiastic advocate. As could be foreseen, having suffered his first set-back in Brussels, he has refused to make ratification a question of confidence. His cabinet is as divided on the issue as the Assembly itself, and any injudicious twists in his summing-up before the parliamentary verdict are bound to provoke the wrath of some colleagues.

The worst of it is that this is unlikely to be a debate to end all debates on this issue. Next week M. Mendès-France will probably not be in any better position to go ahead unperturbed with what he has always considered his primary task: to guide the economic convalescence and recovery of his country. He had found the deadly EDC controversy in his parliamentary path and decided to remove it rapidly so as to instil some sanity into French political alignments. Yet, should even the present debate, as seems very likely, hammer the last nail into the coffin of EDC, its ghost will go on haunting parliament. The problem of relations with Germany, including the oft-forgotten but crucial test of a Saar settlement, will remain more acute and urgent than ever.

There may be a majority in the National Assembly against EDC, but can at least 314 votes be mustered for any realistic alternative solution? If the debate is to serve a real purpose it must tackle this problem and give a positive answer. At worst, rejection could be clothed with so many reservations as to be almost insignificant. M. Mendès-France—whose favourite maxim is that "to govern is to choose"—could set the tone of the debate by stressing how vital is the choice facing the Assembly and asking the deputies to keep in mind the alternatives when casting their vote. On the trend and temper of the speeches made will depend the mood in which France's allies consider its future claims to confidence and patience.

The Easy Six

SIX by-elections are now outstanding, four in Labour seats, two in Tory. As the accompanying table shows, all are so safe (and would require such massive swings to change hands) that the only signs of tension are in the selection conferences of the dominant parties. Nevertheless, the six constituencies should provide a sufficiently representative cross-section of the electorate to show how it is currently thinking. There are two mining seats at stake (Aberdare and Morpeth), one typical East End constituency (Shoreditch and Finsbury), one fairly representative industrial town (Wakefield), one slice of Suburbia (East Croydon) and one plot of Tory grass roots (Aldershot). To get a complete picture a Lancashire seat would also be needed, to show how the anxious cotton workers would vote ; but if the six now vacant all show a clear swing to the right or left there should not be much doubt that this is a national trend.

Whatever the results, they cannot be of great help to the Tories. Even if there is a swing to them, they dare not face the electors while they are still trailing so many loose ends, not least the uncertainty about their leadership. Not until Mr Eden is safely installed in Downing Street (or Sir Winston Churchill clearly there for another long spell), the pensioners are getting more money, and Mr Butler has spread his rays of fiscal sunshine are the Tories likely to feel ready for an election. That means next summer at the earliest, and almost certainly not until next autumn or even later.

THE BY-ELECTIONS PENDING

	Labour Majority over Conservative at last Election (Votes)	Conservative Majority over Labour at last Election (Votes)	Swing Required to Change Seat (per cent of Total Votes)
Aberdare	27,973	...	31·6
Morpeth	16,875	...	21·9
Shoreditch & Finsbury	18,763	...	22·6
Wakefield	7,702	...	8·3
East Croydon	...	9,667	8·8
Aldershot	...	8,549	10·3

But if a swing to the right cannot help the Tories, a swing to the left can hinder them. There have for some time been ominous signs that, except over German rearmament, the Labour leadership is slipping into the groove of irresponsibility which always lies so temptingly close to Opposition parties. Good returns from the autumn by-elections would be regarded as vindicating these irresponsibilities—particularly, of course, over relations with the Communists. Labour would be encouraged to give the Government a rougher time at Westminster, and after three years of office on a narrow majority the average Tory MP is not so resilient as he used to be. If the Government wants to protect its supporters from being driven hollow-eyed, it will be wise to stir itself at these by-elections.

Too Wooden Horse

THE General Council of the Trades Union Congress is a massive organisation, with a large and able research staff. The report that it has just issued for the annual congress of affiliated unions, which will open at Brighton in ten days' time, sets down its painfully-considered views on no less than three hundred and thirty-eight matters that have been brought to its attention in the past year. It contains the lengthy memoranda that the General Council has submitted to official committees or commissions that are considering the national insurance scheme, the cost of the health service, vocational training and a long string of other subjects. It contains shorter statements of the views that the General Council has passed on to Whitehall about such matters as air pollution and the consumer's interest in agricultural marketing schemes. It contains a summary of its views on the general economic situation, and a record of the action it has taken in response to specific complaints submitted to it by individual unions.

Nearly all the lengthy statements start in the same promising way ; the recommendations on national insurance start

with an excellent practical summary that moves on to intelligent appraisal of the dichotomy between a social service and an intended actuarial fund, and the statement on the economic situation puts forward an arguable (even if not acceptable) case for slower progress in striking the shackles from Britain's vulnerable economy. But, unfortunately, all the statements end in the same dull way too.

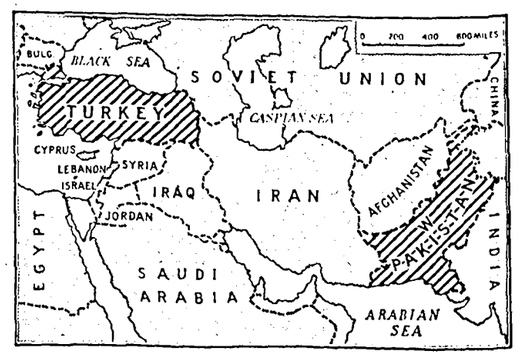
The moderation is there ("it will be of vital importance in the future to keep down costs and prices in order to meet foreign competition"). The grumbles against the rich are there ("the Government's budgetary policy and the markedly higher dividends that are now being paid are evidence that the better off are improving their already privileged position"). But originality is never there; all the proposals after all the statements are carefully aligned with utterances that have already been made, after much less thought, by the right wing of the Parliamentary Labour Party. It is impossible to believe that the able men who have carried out the factual research behind these statements have not formed original ideas of their own—about the retirement age, or about last year's seven shilling standard for wage increases, or about the way in which budgetary policy should really go. It is impossible to disbelieve that the General Council as a whole has solemnly sat on them. The General Council is a major force against extremism on the left; but, by resolutely determining that it will always propound the ideas that would have occurred to it even if it did not have all this research at its back, it is also helping modern Labour to become the least dynamic, least original and least exciting party that has ever occupied a prominent place on the British political stage.

Walking the Tightrope in Asia

MAPMANSHIP is a modern sport. Who, ten years ago, could have said whether the Iraqi frontier marches with the Soviet? Today, every tyro knows that Iran is the missing link in the chain that Americans call the "northern tier"—the defence line in Asia that began to take shape this spring when the Turks and Pakistanis signed their pact.

Wishful thinkers and tidy mapmen are now seeking signs that this gap is about to be filled. They have pounced on a recent statement by General Zahedi that "no country can afford to live in isolation," and on his spirited retort to a peremptory and tactless Soviet note of last month citing "American imperialist activities" designed to draw Iran into the Turco-Pakistani web; he replied that Iran, along with every other member of the United Nations, was entitled to join any regional pact it thought fit.

But to deduce that these preliminaries will lead to commitments, even as tenuous as those signed by Pakistan, is to miscalculate the Iranians' position and inclinations. They are not and have never been pro-western; their first thought must be for their undefendable northern frontier and how best to handle the immense neighbour on the other side of it. There is and will always be a strong body of opinion opposed to defying the Russians, and even a strong Iranian government could not afford to flout this view. A weak one could never do so, and Teheran must be expected, on grounds both of internal and external policy, to walk the tightrope in the way that it has practised, usually unsuccessfully, for some 150 years.



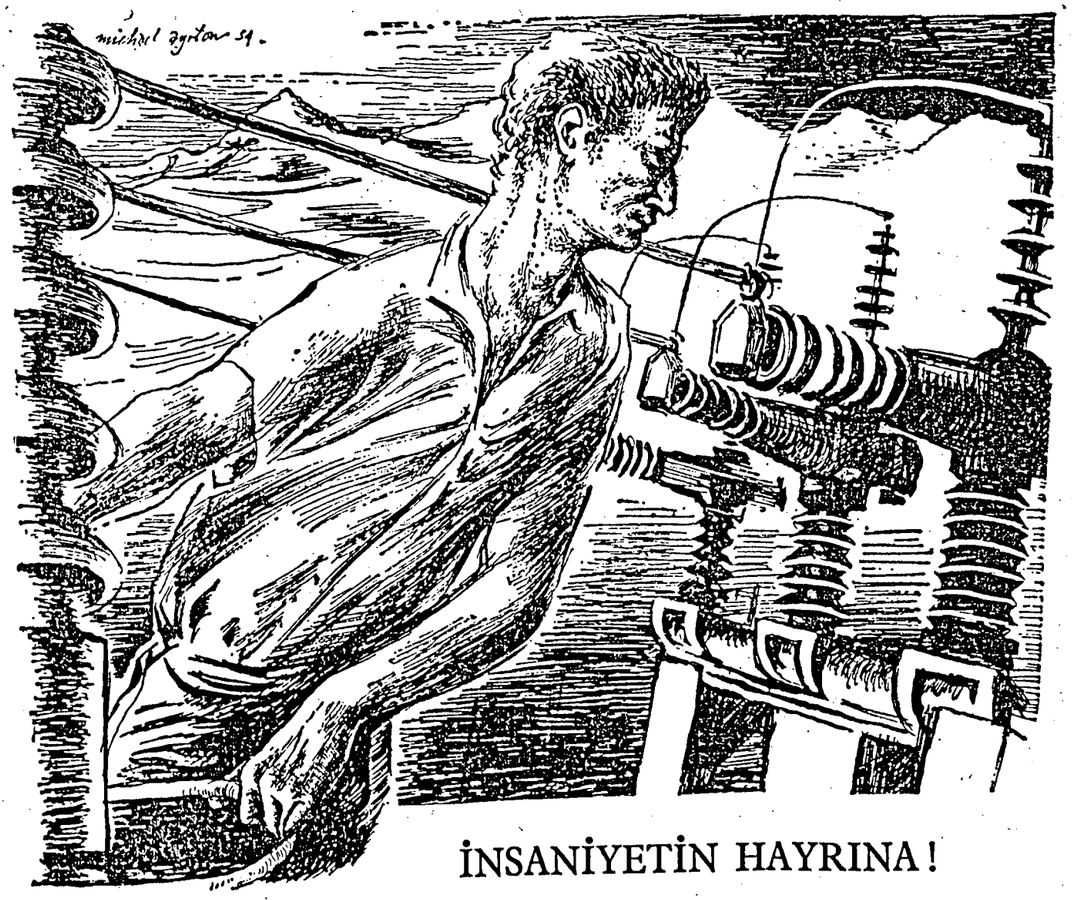
Graciously to accept American aid is one thing: boldly to sign assent to obligations on some dotted line is quite another. Even the West might be better off if Moscow were left guessing and grumbling, than if it were to be provoked by a weak neighbour at a spot that history has proved to be the most sensitive on the whole of the Soviet Union's southern frontier. It is a matter on which Washington should listen to British advice based on bitter experience.

Ripples Around Cyprus

THOSE who like to think of the Cyprus problem as a simple issue—as the grievance of a people wanting self-determination and denied it only by liberty-hating Britain—must be baffled by the welter of complications presented by the news of last weekend. The Greek government, pushed to action by the Church—or right-wing—party in Cyprus, lodged in New York a request for United Nations intervention. The large Turkish minority in the island capped this move with a telegram in which its members "vehemently reject *enosis*, self-government or a plebiscite." From Ankara, M. Menderes expressed hope of "Greek moderation"; from Washington, news reached Athens of State Department counsel along the same line.

In New York, Greece's ambassador, M. Palamas, acknowledged that 30 per cent of Cyprus's population is Communist-led. In Athens, shopkeepers were permitted to close early in order to ensure a good attendance at a mass protest rally addressed by Archbishop Spyridon, during which members of the banned Greek Communist party seized their chance to hand round anti-western leaflets, 67 heads were broken and the police made some 150 arrests.

Simultaneously, the British government let the world know that its retort to anti-colonial busybodies at the United Nations would be a plea of "domestic jurisdiction," and illustrated in the current number of its annual report for Cyprus the great prosperity in the island, considerable parts of it at the expense of the taxpayer in Britain.



İNSANİYETİN HAYRINA!

HASAN IS PROUD that his job serves his country. More electricity means greater prosperity and a higher standard of living for Turkey. Hasan reckons that electricity is "*insaniyetin hayrınadır*—for the benefit of Man".

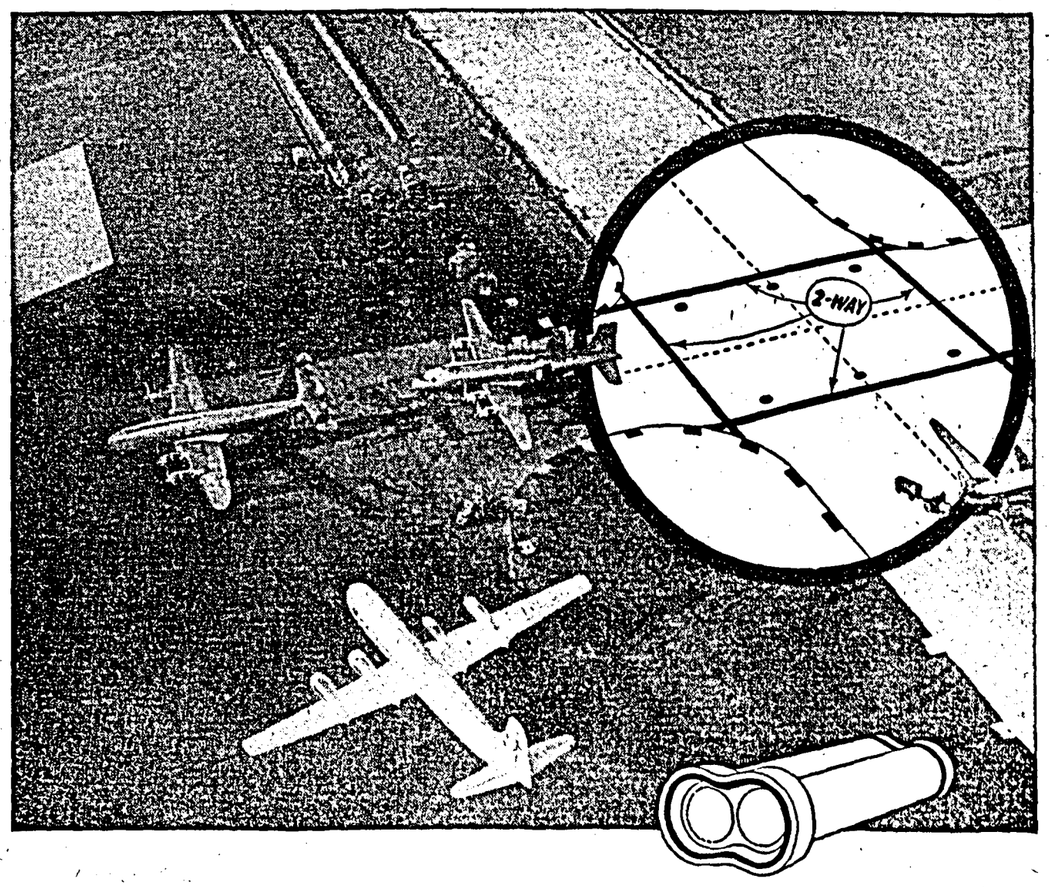
Hasan works at the Catalagzi Power Station, completed by Metropolitan-Vickers Electrical Co. Ltd. in 1948. Recently, the President of the Turkish Republic laid the foundation stone of new extensions that will double the size of the station.

Again Metropolitan-Vickers, one of the nine famous British companies that together make up A.E.I., are undertaking the work. The new contract calls for turbo-generating plant, boilers, switchgear, and all civil works, totalling some £3½ million.

A.E.I. are Associated Electrical Industries, whose Companies make everything electrical from a turbine to a torch bulb.

AEI
for everything electrical

Associated Electrical Industries are a family of companies:
Metropolitan-Vickers Electrical Co. Ltd.
The British Thomson-Houston Co. Ltd.
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Under an Airport Runway

If you never want to have to dig them up again put down

This is a typical runway intersection—it is a key point. Under it is a network of conduits, carrying the cables for the runway lights. If anything happens to those conduits, if they have to come up again—*two* runways will be out of action.

Think what that means to a big airport. Last year *in August alone* London Airport handled nearly 8,000 aircraft and 160,000 passengers. A lot depends on those conduits; they must be able to stay down there, doing their job—for good!

That's why they put down conduits of salt glazed vitrified clay.

Salt glazed conduits are glassy smooth and hard as nails. They are acid-resisting; sulphates in the soil cannot corrode them. The same applies to the hundreds of salt glazed *drain-pipes* that are out there too. Safe and efficient, salt glazed conduits and pipes can —and do—stay down for centuries.

Salt Glazed VITRIFIED CLAY *pipes and conduits*

NATIONAL SALT GLAZED PIPE MANUFACTURERS' ASSOCIATION

Worries of the Greeks

PHYSICALLY few islands are more blest than Cyprus, yet anger and uneasiness prevail there. A trip round its towns and villages reveals that many Cypriot Greeks are tuning in to Athens, which is paying them a gratifying amount of attention; Cyprus radio, muzzled by censorship, has grown too dull to be worth turning on. Archbishop Makarios, fountainhead of all the trouble, has uttered the forbidden word *enosis*, first in low tones in a village and, growing bolder, to the biggest crowd Nicosia has seen for many years. Cypriot distaste for violence is being flattered by use of the comforting argument that the British would like to provoke riots, in order to clap on martial law, and that these had therefore best be avoided.

Meanwhile, minds are divided among the Americans, who love self-determination but do not like encouraging Communists; and worry plagues the British and the Greek governments, the former because they do not want to make a martyr of the Archbishop, and the latter because most of their fellow members of Nato are adjuring them not to get out upon a limb.

Perhaps the solution to the matter lies in a remark made by Mr Palamas in New York last weekend. If Britain offered the Cypriots a more liberal constitution, he said, they might vote for that. The narrowness of the British offer has scared into opposition many moderate Cypriots who would like a self-governing constitution as a first stage. The British reason for hedging their offer with safeguards, such as the election of a minority of legislators and the nomination of a majority of them, was due to nervousness about the excellence of Cypriot Communist political organisation by comparison with the weak and inefficient political machinery of all the other parties. There are signs that these points are being grasped in New York and that if the Greeks there were to put up suggestions which the British could accept as a working basis, a peaceful way out of the tangle could be eventually found.

Labour and the Colonies

LABOUR'S latest declaration on colonial policy owes comparatively little to the Fenner Brockway school of thought, but it has still been written more from Mr Griffiths's bleeding heart than Mr Gaitskell's calculating head. Several new items are added to Labour's already long list of fresh calls on the British taxpayer, saver and consumer. It is proposed that there should be larger grants under the Colonial Development and Welfare Acts, bigger British contributions to the technical assistance and specialised agency funds of the United Nations, and grants in aid to a new International Development Agency that the party wants to see set up. Labour concedes that private capital will be needed, too; but it then lays down a wholly one-sided series of conditions, hedging the private investor with restrictions, threatening him with heavy taxation but offering him no guarantees, not even against expropriation.

This illustrates the dilemma underlying Labour's whole policy towards the underdeveloped areas. The party's thinkers know quite well that there are some 1,500 million people in the world with an average income below £100 a year; if each of the 150 million or so workers in Britain, the United States and other countries with an advanced standard of living voted to give 5s. a week out of their wages (which they will not), it would be just about sufficient to give each of these people a brand new hoe every year. Labour's experts know, too, that savings will not be invested in the chancy colonial field on the basis of restricted profits and without compensating safeguards. But these are facts unpalatable to the Labour rank and file; in a declaration that is to be submitted to the party's annual conference next month, rolling platitudes about progress and the multi-racial Commonwealth are needed, and the new declaration provides them in good measure.

The same is true of the political utterances in this draft, which are as vague as they are sensibly moderate. Everyone knows that "special arrangements" will be needed for territories too small to stand alone; it would have been more to the point if Labour had explained what "special arrangements" it would favour—for Malta, for instance, or Gibraltar. The Labour leaders do, however, deserve commendation for having screwed up their courage sufficiently to offer to covert rejection of Communist-sponsored colonial governments. The declaration states that "Labour's objective is to transfer power in each case to an established system of democratic government." Presumably Dr Jagan would not qualify in the western, as opposed to the Muscovite, meaning of that term.

It Did Not Happen

AN important point of principle has arisen about the pamphlet "It Need Not Happen," which Mr Bevan and five of his supporters in Parliament fired off as their principal salvo in the battle against a German contribution to western defence. In that pamphlet of 32 pages four sentences (two of them consecutive) were set down in heavy type, as centre pieces of the surrounding argument. One of these key sentences was:

> Dr Adenauer himself, speaking in Hanover in December, 1951, said: "Our chief reason for wanting to enter the European Army is to be able to recover our Eastern territories."

It now turns out that Dr Adenauer never said this. He said almost precisely the opposite: that although Germany's membership of the Atlantic community was a "most important question" for his audience (who were expellees from the East), and that although he believed that the "vital necessity" of recovery of their homeland could only be achieved "by way of a re-united Germany and by way of Europe," he wanted to emphasise that "by its very nature" EDC "can only be an association for defence." The Bevanite weekly *Tribune*, which sponsored "It Need Not Happen," contained a retraction and almost an apology last week.

Mr Bevan and his co-authors had apparently lifted this allegation, without attribution, from a speech by a French critic of Dr Adenauer—not from a speech by the German Chancellor himself. There is no doubt that they acted in good (though careless) faith, and if their misquotation had

appeared in a newspaper article simple retraction and apology in that same newspaper would have sufficed. But *Tribune* is read mainly by the faithful. "It Need Not Happen" is the nodal point of a continuing political campaign, and it now appears that one of its own nodal points is a straight though undeliberate lie. At the time of writing the pamphlet can still be bought, uncorrected, on the bookstalls; the very issue of *Tribune* that contains the retraction actually urges people to go on buying it. Mr Bevan knows quite well that heads of foreign governments cannot and do not sue British politicians for flagrant misrepresentation or libel; they had better not try. But surely he must also know that, so long as this pamphlet remains unwithdrawn or uncorrected, and if the admission published in *Tribune* last week is true, his personal honour and that of his five co-authors—they are Mrs. Barbara Castle, Mr Richard Crossman, Mr Tom Driberg, Mr Ian Mikardo and Mr Harold Wilson—will remain very much at stake.

Heads of Steam

SIR BRIAN ROBERTSON, the chairman of the British Transport Commission, is meeting the leaders of the National Union of Railwaymen and of the Transport Salaried Staffs' Association again this week-end. The third railway union, which represents the skilled engine-drivers and firemen, is staying away from this discussion. It still wants the dispute to be shunted through the remaining stages of the railway's arbitration system. Its general secretary, Mr Baty, will be away on a visit to the United States between September 9th and October 4th; and he therefore presumably does not expect or want the trouble to reach a head before he returns.

Any arbitration body that examined this dispute should—and probably would—say that the engine-drivers and other skilled workers have had a raw deal in the last twelve months, but that the unskilled and partly skilled men (who are in a majority in the National Union of Railwaymen) have had an unduly favourable one. The curious situation has therefore arisen that the NUR, which is most satisfied with the offer made to the majority of its members (although it is obliged to demand much more for its skilled minority if it is to hold on to their support), is least anxious to see the dispute go to arbitration and most ready to take early action.

The NUR knows, however, that the Transport Commission cannot afford to pay more; and it also does not really want a strike, from which its lower-paid majority would get no benefit at all. Its energies are therefore likely to be concentrated on exerting pressure upon the Government to step in with a railway subsidy, without too much more public airing of the rights and wrongs involved; all the inconsistencies of the present situation could be washed away by a subvention from the taxpayers' bottomless purse. The Government, for its part, must know that such a subvention would be the most dangerous expedient of all, however much Sir Winston Churchill may want internal as well as external peace in his time. Amid this complex pattern of organisational and personal pressures, bearing down on each of the parties involved in this dispute, it is not going to be easy for the public interest to be well served.

A Clear Win for Malan

THERE is no denying Dr Malan's overwhelming victory at last week's provincial elections. In all three provinces in which polling took place—Cape, Transvaal and Orange Free State—the Nationalist party scored uniform and considerable successes. The predominantly white electorate has given the government an unequivocal vote of confidence. People of liberal convictions, no less than the opposition parties in the Union themselves, will be tempted to throw up their hands in despair; but there is no reason for undue pessimism. Indeed, if the opposition leaders learn the obvious lessons, this could be a turning point; but the lessons are hard. First and foremost, it is plain now that the Nationalist party is solidly entrenched at least for a number of years, possibly for a decade or more. The hoped-for democratic miracle that would throw them out of office, which has long sustained the United party, is an empty myth. In the long run, however, Dr Malan and the policies he stands for are doomed. Even the Nationalist press, which has recently been timidly advocating more white immigration, is apparently conscious of the awful facts of political arithmetic.

Secondly, the anti-government white electorate must work out a realistic alternative policy to *apartheid*. The United party has recently edged hesitatingly in this direction, and promptly lost seven of its parliamentary supporters as a result. But it has not gone far enough, for merely to admit the fact of social and economic integration of white and black is not itself a policy. Mr Strauss must come into the open with the party's plans for the political future of the non-Europeans. This will lose more votes on the *platteland*, and there will be more desertions in Cape Town, but the United party will emerge stronger and with a stake in the future.

Though no doubt warmed by these gratifying results, Dr Malan and his cabinet will find the immediate problems of office no whit easier. A few more Nationalist senators might add their votes to the Coloured Voters Bill, but not enough to get the two-thirds majority needed; control of three out of the four provincial councils will enable the architects of *apartheid* to hasten their plans. But to gain their final objectives—such as full-scale *apartheid*, and a Republic—the Nationalists need many more votes. The opposition, therefore, have room and time for manœuvre which they should use.

German Strikes Hit Dr Adenauer

WEST GERMANY'S labour unrest is still on a small scale, but it may spread. The strike in the Hamburg public services has ended with success for the strikers, but this is not the end of the matter. The Federal Government has rejected a general increase of pay in the federal services on the grounds that the whole of the country's price structure would be affected. Negotiations between the *Laender* and unions on wages in the local public services have also broken down.

In Bavaria the engineering strike has not yet ended after more than two weeks, though a number of smaller works have given in to the strikers' claims. The union, as well as the employers' organisation, is in a strong financial position to hold out owing to the long industrial peace both have enjoyed; but the labour side has an advantage owing to the shortage of skilled workers which prevails in spite of there being over six per cent of the working population unemployed. Scuffles between "blacklegs," pickets and the police have died down. They are not in keeping with the sentiment of the public or of the workers, who are inclined to believe that men have a right to work if they wish.

It is fortunate that, outside Bavaria, negotiations in various smaller industries have led to settlements which can be borne without driving too many weak firms to the wall. On the whole, West Germany's economy can now bear increased wages, but its political structure would be shaken by a class struggle.

It seems likely that extremism on the part of the unions is less to be feared than a stubborn attitude among a section of the employers. The workers are disinclined to strike, and respond to the somewhat paternal ideas held by the Christian-Democrat party and employers in their ranks. The die-hard employers are, roughly speaking, grouped behind the right wing of the anti-Catholic Free Democratic party, which has been taken into the cabinet in Germany's key industrial centre, the Ruhr. But even the policy of Dr Adenauer's Christian-Democrats, generally more moderate, is likely to be influenced by the type of employer who would secretly like to prohibit all strikes. How strong this group is will be shown by the fate of a Bill to introduce co-management in the Ruhr holding companies, which Dr Adenauer is to introduce next month. The Free Democrats dislike co-management as much as higher wages, and the hard-pressed Chancellor's effort to placate the unions may well involve him in a breach with his coalition partners on internal issues as well as foreign policy.

Eating on the Rates

THE compulsory closing of the civic restaurants run by the London County Council will end another Socialist dream. Introducing the Civic Restaurants Bill in 1946, Mr Strachey and Dr Summerskill looked forward to local authorities' restaurants as instances of people meeting their social and economic needs through communal enterprise; as instruments of a national food policy; as places to which the working-class housewives could take their families to enjoy what private enterprise failed to provide for them—"good, wholesome meals" at prices they could afford.

Fortunately, the Labour Government was realist enough to insert in the Bill a clause taking away the powers to run restaurants from any local authority which showed a loss on them in three consecutive years, although in certain circumstances the Minister of Food could grant a reprieve. The caution was justified because the whole idea of civic restaurants was based on the wartime "British Restaurants," which the local authorities ran as agents for the Minister of Food. They were started in different conditions and for different purposes—to provide emergency feeding arrangements after air-raids; to meet the increased demand for eating out caused by rationing and by the absence of so many women from their homes; and to take the place of industrial canteens for the small factories. The charges made by the local authorities were meant to cover their running expenses, and the Ministry paid the rest of the bill.

The popularity of most British Restaurants during and immediately after the war was thus no guarantee at all that civic restaurants would be either popular or profitable once food became more plentiful and once the restrictions on catering by private enterprise were eased. When Mr Strachey moved the second reading of the Civic Restaurants Bill, there were over a thousand British Restaurants, of which about 150 were being run by the London County Council. Since then there has been a steady fall, and today 74 local authorities are running about 200 restaurants including the 29 in London that are now to be closed. The LCC is not the first authority to lose its powers, nor has it any cause for complaint. The Ministry of Food had already granted two reprieves for its restaurants, which had cost the ratepayers over £71,000 up to last March. If they could not be run profitably while the last vestiges of rationing remained, their future chances of doing so were very slight.

Ultimatum at the Ballet

SADLER'S WELLS THEATRE is to be "dark" for a fortnight and the provincial tour may be cancelled because of the dispute over salaries offered by the Sadler's Wells Theatre Ballet Company. The dispute deserves a place among the oddities of trade union history. It has been fought out in an attempt to get an extra 10s. a week for nine workers; the cost of settlement to the company would therefore be precisely £4 10s. a week.

The Sadler's Wells company was started after the war in order to provide ballet interpolated into opera. But since then it has grown in stature and become a ballet company in its own right. On their return from a recent tour of South Africa the artists employed by the company felt that their pay was below their station. They demanded that the new season's contracts should give them an all-round increase of £2 a week—later modified to 30s. After some haggling the management agreed to pay an extra 30s. a week to all but nine of the artists concerned, to whom they offered an extra £1. The artists, however, had been organised by Equity, and with the remarkable solidarity that is typical of the profession, they still refused to sign the contracts.

There will be some sympathy for this claim, for ballet dancers are notoriously badly paid. In the company's last season the salaries of many members were on or near the minimum of £7 a week. That minimum was too low. But the effect of Equity's new claim is to force on the Sadler's Wells' management a minimum wage £2 higher than the one that has been duly negotiated in the industry. In view of this, the management is right to stand firm on the principle that it should be allowed to judge the merits of individual members of its company. If it thinks that nine of them are not yet as talented as the rest, it should pay them less than the rest—even though it is suffering such hard kicks for such remarkably few halfpence.

Piastre or Dollar?

THE monetary talks between France and the three Associated States of Indo-China are a corollary to the Geneva conference. Postponed last week because the Cambodian delegate had not yet received his government's instructions, they have now made a belated start in Paris. The ostensible aim is to determine the future shape and allegiance of the currencies in the three states, but there is an air of unreality about these negotiations. Viet Nam's economy has been so disrupted by the war, and its future is so uncertain until general elections in 1956 have determined its direction, that it is difficult to find a useful purpose in a conference so soon after the cease fire. And while the disruption has been less pronounced in Laos or Cambodia, the economies of the two smaller states are so closely linked with, and dependent upon, Viet Nam's, particularly Cambodia's, that there also an indefinite postponement might have been advisable.

It is not hard, however, to explain the eagerness with which the three, or rather the two and a half, Associated States, have rushed into conference. It is a simple consequence of their new-found "independence," formally recognised by treaty in the case of Laos, embodied in various agreements in Cambodia's case, and the subject of two Franco-Viet Namese agreements which, though initialled on both sides are not likely to be ratified in the foreseeable future. It is intolerable for countries that have just won their independence not to have their own individual currencies. The present inter-State piastre, discredited, overvalued, abused by speculators and fortune-seekers, is a poor symbol of independence. A more inspiring, self-respecting substitute is needed.

The present Indo-China monetary union emerged from the inter-state conference at Pau in 1950. The main task of the present conference will therefore be to undo the work of the preceding one. It will be surprising (particularly to the French) if either Laos or Cambodia should seek to leave the franc zone, though anything is possible in the climate of "independence." Individual monetary units and nominal freedom will probably satisfy the aspirations of Pnom Penh or Vientiane. Viet Nam's attitude is much less certain. The tendency of Mr Ngo Dinh Diem's government is all away from France and towards America. How far Washington would be prepared to respond is problematical. One thing only is certain: the French dream of a unified Indo-China is about to crumble a little more. But now that the French have at last relinquished their insistence on keeping the franc zone intact, this might not be a bad thing. If the heavy load of the piastre could be shed elsewhere, M. Mendès-France should be delighted.

All in the Same Boat

IT is a moot point whether or not the shipwreck of the Greek royal yacht *Agamemnon*, now cruising in the Mediterranean, would end the crowned dynasties of Europe. Against such a grim eventuality, a few young princesses have been left weeping on the quay. But on board ninety-five royal, and sometime royal, personages are sailing among their realms. Ex-King Umberto looks sadly towards the shores of Italy, while the Comte de Paris scans the horizon for the sight of France. The guests from the Spanish royal house, on the other hand, may be saying to themselves that one of their finest hours is still to come; for there are strong hints that the Caudillo may choose the Infante Juan Carlos to succeed him. There is a touch of Strauss operetta about this cruise through the ancient seas with a passenger list straight out of the Almanach de Gotha.

It is easy for comment to become ungracious. One can speculate with doctrinaire irony on whether it is a proper time for royal promenades, with sucking pigs roasting in vine leaves. One can wonder what will come out of this rendezvous between so many eligible young princes and princesses near Calypso's isle. Or one can reflect on the fact that some of the dynasties aboard the *Agamemnon* have shown to best advantage without the crown.

But there is also a brighter side. From our summer of discontent we can look on this cruise as a symbol of a wiser, and in many respects happier, past. Has the expulsion of monarchy brought to certain Latin countries a stabler regime? The personal commerce of royal families provided in the past a sense of European community on which the present divided nations may look back with regret. And is it mere hazard that democracy at its most serene—be it in the United Kingdom, in the Netherlands or in Scandinavia—has been democracy allied to kingship?

Railway Disasters

There have been numerous accidents of late, confirming foreigners in their belief that as soon as Parliament rises, and the daily papers are with difficulty filled, they procure disasters or invent them to keep the public interest alive in their lucubrations. We entirely acquit our contemporaries of the foolish charge, and even of the supposition that they conceal anything, or fail to make as much of disasters which occur when Parliament is sitting as when it is dispersed for needful recreation. In the carelessness engendered by temporary success, in multiplied excursion trains, in the hurry of many persons making holiday, and in a want of strict personal responsibility, we can perceive causes sufficient to account for these disasters, without in the least countenancing the supposition of our foreign acquaintance, that such events are overlooked at another time by journals, or now in some way or other caused by their agency. . . . How to prevent such terrible misfortunes—if preventable—is the problem which engages public attention. In what is usually called a natural condition of society, the friends of the dead, when killed by the negligence of others, would demand a rigid satisfaction from those who caused the death, even to requiring life for life. . . The negligent heads of a company which causes such destruction should only be protected by the law from the vengeance of the friends of the sufferers on condition of making all possible reparation. If the directors cannot be made responsible in person, if we are wiser than to adopt the principle of life for life, they should be made heavily responsible in purse. . . . They must not be allowed to strut about the streets, claiming great honours and wealth as directors of this or that great company, and cast all responsibility to the wind. . . .

The Economist
August 26, 1854

Letters to the Editor

Why America Did Not Slump

SIR—I find in the current number of *The Economist* the following astonishing statements.

"By rights, the United States ought now to be in a deep depression; the fact that it is not can be explained only by the persistent refusal of the American public to accept the diagnosis. . . . [This, and certain other things you mention] are clearly going to have a deep effect on the whole trend of economic thought. They may well force a reaction against the mechanistic model-building, the equation-hawking, of recent years."

This statement, so far as it relates to the American economy, is advanced in support of a proposition, enunciated elsewhere in the same article, namely that "public 'confidence' is, after all, an important factor in preserving prosperity." This proposition may well be true; but the verdict you pass on the American recession cannot be cited in support of it, because it is just not the case that it is public "confidence" that has saved the United States from a deep depression. It is quite true that there has been a marked fall in gross national product and that this, contrary to what some people expected, has been unaccompanied by any significant fall in private consumption expenditure; but "confidence" cannot be held to have played more than a quite minor part in bringing about this happy result.

What are the facts? I have tried to tabulate them in the accompanying table. Taking the national income figures for the second quarter of 1953 and (so far as available) the first quarter of 1954 as our guide, we find that the decline in gross national product is due almost entirely to the decline in four of its components. These four can be subdivided into two which we can call originating causes and two which must be classified as contributory or consequential causes (acceleration effects). Reckoning throughout in thousands of millions of dollars, the rate of expenditure on national defence declined by 5.9, and on other national security (largely I suppose foreign aid) by 0.8. These two, aggregating 6.7, constitute the originating causes of the recession. To them we must add the two consequential causes:

THE US RECESSION OF 1953-54

Changes in certain magnitudes between second quarter of 1953 and first quarter of 1954
(Seasonally adjusted annual rates. Thousands of millions of dollars)

Generating Factors		*Corrective Factors*	
Decline in expenditure on:—		Automatic:—	
National defence*	5·9	Corporate tax liability (decline)	6·4
Other national security*	0·8	Govt. transfer payments (rise)	1·6
Producers' durable equipment	1·7		
Inventory accumulation	11·1	Deliberate:—	
		Federal expenditure, non-defence* (rise)	1·3
		State and local govt. expenditure* (rise)	2·5
		Personal tax payments (decline)	3·3
		New construction (rise)	1·0
		Accidental:—	
		Net private foreign *dis*investment (fall)	1·4
		Confidence:—	
		Corporate dissaving†‡	5·6
		Personal dissaving†	— 2·8
Other factors—mainly a "perverse" rise in social insurance payments	1·4	Decline in personal consumption expenditures	0·6
	20·9		20·9

* Goods and services only, *i.e.*, excluding transfer payments.
† Decline in positive rate of saving.
‡ Figures for first quarter of 1954 not available (to me), figure given shows change between second quarter 1953 and fourth quarter 1953.

a decline of 1.7 in the rate of expenditure on producers' durable equipment, and a decline of 11.1 in the rate of inventory accumulation. Adding all these four together we get a total of 19.5.

If the halt, or "saucering out," in the recession were due to "confidence," all or most of this 19.5 would be matched by a corresponding volume of dissaving—or reduction in saving—by businesses and individuals. In fact the reduction in saving, the confidence element, amounts to a mere 2.8. But this total conceals contrary movements in the two components of which it is made up. Business dissaving (made up of the decline in corporate profits after tax *plus* the increase in dividends) amounted to 5.6. I will grant you that this represents a substantial element of confidence. But personal dissaving declined — i.e., personal saving increased—by 2.8; so that the behaviour of individuals tended to accentuate the recession rather than to counteract it.

The correctives of a recession may be classified under four heads: (i) "confidence," (ii) accidental, (iii) orthodox, automatic, and (iv) orthodox, deliberate. (By "orthodox" I mean orthodox in terms of the mechanistic model-building to which you refer in such surprisingly contemptuous language.) There has been a "confidence" corrective, as we have seen, of 2.8. There has been a decline in net foreign disinvestment (equivalent to an increase in foreign investment) of 1.4; this I should regard as "accidental." The other corrective factors, amounting in the aggregate to 16.1, have all been "orthodox." Of this total, automatic, or "built-in," stabilisers account for 8.0. The two components are a decline in corporate tax liability of 6.4 (people are apt to forget that before the new bill was passed the corporate profits tax was at a rate of 52 per cent), and an increase in government transfer payments (unemployment insurance and the like) of 1.6. What I call the deliberate orthodox correctives can be subdivided into those due to action by the Administration and those due to action by the monetary authorities. Due to the Administration are the decline in personal tax payments, amounting to 3.3, and the increase in non-security expenditure of the federal government, amounting to 1.3. Due to the easy money policy of the monetary authorities there has been a rise in the rate of new private construction of 1.0, and the rise in the rate of state and local government expenditure of 2.5 can be attributed largely if not wholly to this cause.

It should be emphasised that these figures are only provisional, but they indicate why it is that personal income and personal consumption expenditure have remained remarkably steady, and they show that this is due mainly to the operation of orthodox correctives, built-in and *ad hoc*, and only to quite a small extent to public "confidence."—Yours faithfully,

P. A. WILSON

London, W.1

Needless Scarecrow

SIR—Your leading article last week makes a far more rational contribution than has yet come from the non-socialist side, to what I believe to be the most important economic issue in public life. You refer to me as one of the scarecrows: but are we needless? Without trespassing on your space I can only make three bare points.

(1) I agree, and said so in the article in the *New Statesman* to which you refer, that it would be as impossible as it would be undesirable quickly to rebuild anything resembling the wartime system of controls, with consumer rationing, etc., and a future Labour Government would not attempt it. But I do not agree that it would be impossible to "slam down the hatches at the exchange control department of the Bank of England." Moreover it should be gradually possible to establish a measure of control of the volume of imports and to promote the provision of an adequate proportion of the national product for export.

(2) I agree that it is unlikely that it will be possible for the next Labour Government "to make a large and rapid transfer of a slice of the national income from one class to another." But it nevertheless seems as inevitable as it is ethically desirable, that all governments of the Left will tend towards a redistributory policy. And that, experience indicates, will be enough, in your graphic phrase, "to scare the crows." My simple thesis is that unless there is some effective measure of "crow control," Left governments are impossible.

(3) What is your solution? I am sure that you are too intelligent to suppose that the solution is to have permanent Conservative Governments. You demand "the re-emergence of a generous, idealist and dynamic Left." So do I. But do the crows?

At any rate one must be grateful for your leader, for the decisive thing for the welfare of the country is that this issue should be dragged into the light and rationally discussed. I do not pretend to have any ready made solutions. We shall all be profoundly interested if you, sir, will now expound a non-redistributory economic policy for the Left, which is what, I take it, you have in mind.—Yours faithfully,

JOHN STRACHEY

House of Commons

Truce in Babel

SIR—I regret to read that *The Economist* suggests a truce in psychological warfare. In the world wide war of ideas we have weapons which (unlike atomic bombs) the Communists can never possess.

Paradoxically, the Communists and the Nazis—see "Mein Kampf"—have been more far-seeing than the democracies in their appreciation of the importance of political warfare in a total war, which they have always realised is something much more than "military operations."

Communists—as you point out—spend much time and effort in trying to ensure that their people shall not hear or read what we have to say. They are not fools; they do this because they are afraid of the consequences of an informed and non-regimented public opinion. This is their Achilles heel which will become more vulnerable as the apparatus of education becomes more widespread beyond the Iron Curtain.

If ever the Communist nations become democratic it will happen because of non-communist ideas capturing public opinion, not through the use by democracy of military force. I wish *The Economist* would put its influence behind the opinion that democratic political warfare operations should be greatly improved and taken sufficiently seriously at Cabinet level to be put in charge of a senior minister with a Fourth Chief of Staff as his agent. The way would then be open to improve coordination with our allies and work out a long term and agreed policy. I have been pleading for many years that the simple truth which has been neglected with tragic results is that: "All actions are the consequence of ideas; if one can influence ideas one automatically influences action." Some years ago I almost persuaded a Minister of Defence to set up an inter-departmental committee to investigate the relationship between political warfare and military operations in the whole strategy of total war. I did not quite capture his mind, so no action followed. This inquiry is long overdue and would be welcomed by senior service officers. Unfortunately, politicians are more bloodthirsty and can only think of war as a body-bashing bombing activity.—Yours faithfully,

STEPHEN KING-HALL

Bordon, Hants

Full Circle on the Railways

SIR—Your statement that the 6 per cent increase granted to railwaymen in February was "originally meant to satisfy in full the claims of the unskilled and lowest paid men" is not correct.

The December terms of settlement provided for a review of the *whole* wage structure. The word in italics was inserted so that there should be no misunderstanding that the examination should commence with the bottom grades.

The NUR, catering, as it does, for all grades of railwaymen, is as interested in differentials as it is in the minimum rate, but it believes that a fair wage structure cannot be built on a foundation of £6 4s. 6d. a week. The thousands of railwaymen who are leaving the service for jobs in other industries appear to share this view.—Yours faithfully,

C. A. SWEETINGHAM

National Union of Railwaymen, N.W.1

Borrowed from Stalin

SIR—Your readers must be grateful to Mr Zavalani for confirming that he had overlooked a paragraph in the "Kommunist" article about peaceful coexistence. It is hardly fair, however, to say that the paragraph was "squeezed in." when in reality it sums up two other passages dealing with the substance of peaceful coexistence—one replying to the charge about "export of revolution," and the other setting forth the view that Socialism requires peace in order to raise living standards.

Your correspondent complains that in that article "the Russian conception appears like coexistence with a moribund"; and another has objected to passages in the same article extolling the superiority of socialism over capitalism as an economic system and a way of life. But these complaints are based on a misunderstanding. None of the passages they quote suggests that the policy of the Soviet State should be to accelerate the death of the moribund, or to force socialism on other countries. Soviet journals have as much right to represent their system as the superior, and to forecast the demise of capitalism, as journals in capitalist countries have (and widely exercise) to say the opposite. But saying these things does not mean going to war about them. Peaceful coexistence means the right, among other things, to have the most opposed opinions about one another's economic and political systems, while agreeing that, far from launching a world war to change the latter, there is positive value to both sides in agreeing to maintain peaceful relations—and even to co-operate.

Since Mr Maurice has written of some special "Kremlin Russian sense" in which the words peaceful coexistence are used, I may be allowed to mention an authoritative statement: "The Peaceful Coexistence of Capitalism and Socialism is Quite Possible," which was published in *Pravda* on July 28th. It is available in translation from this society at 6d., post free. It would be only reasonable to study what the "Kremlin Russians" themselves say, not in disjointed fragments at second hand and with interpolated comment, but in the integral text.

I fail to grasp the purpose, in present circumstances, of the other charges made by your correspondents. They surely cannot suppose that the Soviet Union has no reasoned case to make on these charges, or that it could not, if it desired, put forward at least as weighty charges itself. The point is that an agreement about peaceful coexistence which included negotiated solutions to, at any rate, the principal issues still disturbing international relations would so improve the general situation as to remove the occasion for such charges and countercharges. Are your correspondents opposed to such an improvement?—Yours faithfully,

ANDREW ROTHSTEIN,

London, E.C.1



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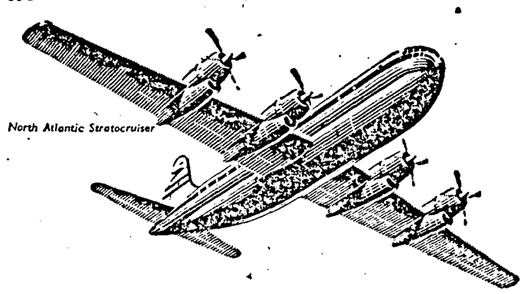
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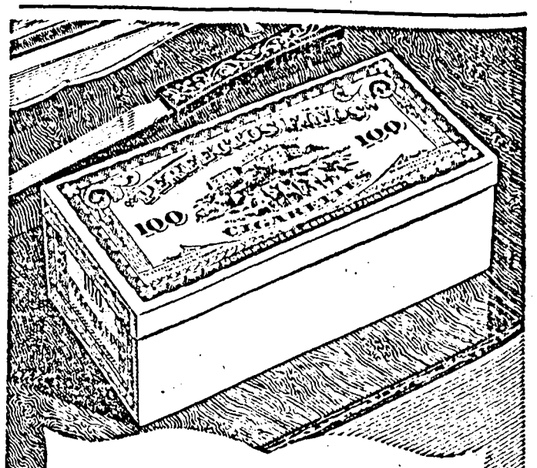
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A Confusion of Councils

SIR—May I comment upon certain arguments relating to rural local government contained in your article under the above heading published on August 14th?

It is misleading to lump together "309 non-county boroughs, the 572 urban districts and the 475 rural districts," and to describe them as representing "Local Government at its most local." The area of the boroughs and urban districts can be measured in acres, while that of the rural districts is measured sometimes in hundreds of square miles, and this contrast is sufficient to empty the word "local" of most of its meaning. It is likewise misleading to compile a "list of activities that are carried out by the average district council or non-county borough" because no such average authority exists.

The powers which in an urban district are exercised by the urban district council are in a rural district shared between the council of the rural district and the councils of the parishes comprising it; thus in the "list of activities" the provision of baths and washhouses is carried out concurrently, while parks and public lighting are in almost all cases the province of the parish council which may also provide allotments, burial grounds, playing fields, parish halls and a number of minor miscellaneous services.

Your article repeats again the oft-repeated error that "the parishes have been shorn of virtually all power." If this statement refers to the legal functions of parish councils the opposite is the truth. Parish councils started life with more powers than the vestries whose civil position they inherited and Parliament during the intervening 60 years has added considerably to those powers. The weakness of the rural parishes is not so much functional as financial; agricultural derating has destroyed the major part of their sources of revenue whilst, unlike other authorities, parish councils receive no grants in compensation.

In rural local government the difficulty created by the facts of geography is to reconcile the words "local" and "government." The division of functions between three tiers of authorities is an attempt at such a reconciliation by giving the countryside the advantage of the services available in towns whilst preserving the benefits of intimate democracy.

One effect of the simplification you propose is that in rural areas about 60,000 elected representatives would suddenly cease to have any share in public life. It is hard to see how this can advance the interests of democratic government.—Yours faithfully,

C. ARNOLD-BAKER

National Association of Parish Councils

Books & Publications

The Intellectual and the Capitalist

CAPITALISM AND THE HISTORIANS.
Edited by F. A. Hayek.
Routledge and Kegan Paul. 199 pages. 10s. 6d.

IT is a commonly accepted view that "intellectuals" are antagonistic to capitalism. The American economist Schumpeter went so far as to argue that capitalism would fail to survive, not because of any failure in its economic performance, but because of the hostility engendered by the intelligentsia. It is perhaps a natural assumption for members of the intelligentsia to make, since it is so flattering to them, and it is the assumption that underlies the essays which five distinguished intellectuals, Professors Hayek, Ashton, Hacker and Hutt, and Bertrand de Jouvenal, have contributed to this book. They are primarily concerned with the historians' contribution to the creation of this hostility. It is an important subject. Our opinions on present problems take much of their colour from our interpretation of the past, and the contributors to this volume are clearly right in arguing that emotional aversion to capitalism derives a good deal of its force from the notion that the Industrial Revolution was a very bad thing for the workers. They have no difficulty in showing that this and other allied notions are myths.

The demolition of myths is always worth attempting. And the myths which these writers attack are at once particularly erroneous and unusually powerful in the formation of public opinion on economic matters. Even Conservatives and capitalists are influenced by feelings of guilt about the "horrors of early capitalism." It may, however, be doubted whether this book was the best way of going about the job of demolition. For one thing, it lacks unity. Three of the papers were written specifically on the main theme for a group of economists and historians who meet "to discuss the problems of the preservation of a free society against the totalitarian threat"; to these have been added two articles previously published in learned journals and much narrower and more academic in scope. The three papers are essentially *pièces d'occasion*, and though they must have been stimulating as lectures, they seem slightly flimsy in print. Moreover, they bear all the marks of having been prepared for a company of true believers. Anyone whose social philosophy is different, even though not antagonistic, will have the embarrassing feeling that he is eavesdropping. There are too many remarks of the kind which sparkle when made to a group of like-minded friends, but which fizzle out when repeated before a wider and more dispassionate audience. There are too many affectations of omniscience, too many partisan assertions, which will irritate even those who sympathise with the main purposes of the book. The contributors have quite needlessly run some risk that their work will be dismissed as the production of a coterie of right wing economists; which would be a pity since their conclusions on the most important points of fact are independent of any particular doctrines.

But in any case are argumentative essays, even if judiciously presented, the most effective weapons? These legends about the Industrial Revolution are only the vulgarisations of substantial works on economic history; the books of the Hammonds and the Webbs may have got the whole story out of perspective, but they were major works of scholarship, not fugitive essays. The best way of correcting wrong perspective is to redraw the picture. It is significant that much the most effective contribution to this volume is the article by Professor T. S. Ashton on the standard of life of the workers 1790-1830, which appeared originally purely as a contribution to knowledge. It does not controvert any "legends," but it creates an atmosphere in which it is difficult to talk nonsense on the Industrial Revolution and living standards. It expels the notions derived from the Hammonds simply by presenting, in a disinterested and scholarly way, a more credible version of events. Finally, is the initial assumption of the book, that intellectuals have usually been antagonistic to capitalism, a correct one? Is not this merely a generalisation from the 1930s? Or the result of the curious habit of conservative intellectuals of using the term "intellectuals" in a pejorative sense to include only those members of the intelligentsia who attack the existing order?

The Course of Socialist Thought

THE CHALLENGE OF SOCIALISM.
Edited by Henry Pelling.
Adam and Charles Black (British Political Tradition Series). 388 pages. 18s.

TO select a series of extracts from a wide range of speeches and writings and to weld the selection into a balanced and stimulating whole is never an easy

task. And even when it is well done the result is not fully satisfying. The editor's own approach stands perceptibly between the reader and the original sources—why was this put in and that left out, one is continually asking—while at the same time we are not carried along with him as we would be if he were using his quotations to deploy an argument.

This is not to criticise the way that Mr Pelling has undertaken his task. He is as well qualified for it as anyone could be. His recently published "Origins of the Labour Party" showed that his knowledge and understanding of the British working-class movement are unsurpassed, and his work on the present volume will do nothing to impair that reputation. His introduction, in which he sketches, firmly and felicitously, the recent landmarks in the not very straight course of the development of Labour party thought, is particularly good. He sees the sudden development of a "cataclysmic" mood as a result of the failures of 1931, and illustrates it well by extracts from Laski and Cripps. He attributes the subsequent return to a more confident empiricism to a combination of the success of Roosevelt's New Deal and the influence of Keynes's General Theory; and sees how this, accompanied by the centralisation of the war years, led on to concentration upon a policy of national efficiency after 1945 and to the acceptance of Mr Herbert Morrison's ideas of nationalisation by public corporation. This in turn has produced a more recent reaction with the revival of cries for workers' control and for the subordination of the efficiency criterion to more emotional considerations.

What will be the next tack in the course of socialist thought? Mr Pelling does not attempt to show us this, though he offers a shaft of optimism with the statement that "the great bulk of the British Socialist Movement is not hindered, like the German Social-Democrats early in the century, by the need to conform to beliefs which they have in practice abandoned." But there is one belief to which socialists must cling, and that is the belief that human society and human nature can and will be improved. They cannot accept Professor Oakeshott's view, quoted by Mr Pelling, that "men sail a boundless and a bottomless sea" with "neither starting place nor appointed destination." And this, in an age which has rightly lost its belief in automatic progress, makes life much more difficult for socialists than for their opponents.

Ingenuous Eye Witness

DICTATORS FACE TO FACE.
By Dino Alfieri, translated by David Moore.
Elek. 317 pages. 25s.

THE original version of this book appeared over five years ago and whether a tardy translation is really worth while is doubtful. Alfieri, before the war Fascist Minister of "Popular Culture," was launched upon his brief diplomatic career in stormy times. As Italian Ambassador to Germany from the spring of 1940 until the fall of Mussolini in July, 1943, he witnessed remarkable events; yet he writes about them with such ingenuousness and sometimes with such inaccuracy that it is difficult to take his book very seriously. It seems incredible that, devout Catholic as he is known to be, he should allow the famous Catholic Bishop of Münster, Galen, to appear in these pages as Gallern; this is one of numerous errors of the kind.

As for Alfieri's ingenuousness, it enables him to write—probably in all sincerity—"As an actor in the drama, I can vouch for the complete objectivity of my narrative." Early in the book he speaks of Mussolini's "noble and inflexible purpose of restoring the nation's dignity and prosperity and recapturing the splendours of its former might and glory." What former might and glory? Under Giolitti and most of his predecessors the Italian nation had painfully but respectably recovered from its former subjection and disunity, and then from the defeat in Abyssinia to which Crispi's ambition had led. Only a Fascist disregard for history could in any way identify twentieth-century Italy with the empire of the Caesars. And how could any serious observer of Nazi Germany state that "Everyone in Germany respected Rosenberg."

For the rest there is little to be learnt from Alfieri except about the working of his own mind and perhaps something about the psychology of Ciano. Except for an extra scandal or so about this friend of his Alfieri has little to say which has not been better said elsewhere; he confirms the fact of Hitler's romantic admiration for the Mussolini whom he nevertheless subjected to so many raw deals.

The Beginning of State Power

THE AGE OF ABSOLUTISM, 1660-1815.
By Max Beloff.
Hutchinson. 200 pages. 8s. 6d.

THIS remarkable little book ends with the sombre comment that the history of absolutism is only just beginning to be written. It is no longer possible to believe, as many historians once did, that the monarchical despotisms of the eighteenth century were but a passing phase in the steady development of the European peoples towards genuine representative government. Instead it now seems that the absolutism of these despots was really the beginning of that systematic consolidation of state power which, with the aid of modern technology, has produced the tyranny of totalitarian rule.

This idea dominates Mr Beloff's approach to his subject, and makes his treatment of it deliberately selective. Thus he concentrates on the European state system, on the political institutions of its various members, on the dynastic rivalries that shaped it, and on the facts of area, population and economic strength that were the real ingredients of state power. In so doing he has had to leave out of account much that is interesting and important in the history of eighteenth-century Europe. Yet, in the circumstances, this restriction was worth while. It has enabled him to deal directly with a single critical issue, and to say much that will be valuable to those who look to history for help in understanding their own age.

In setting the scene Mr Beloff rightly emphasises the wide differences of tradition and outlook, of social and economic experience, that existed in eighteenth-century Europe. Besides the familiar contrast between East and West, between Russia and the maritime powers, there were significant local variations in Germany and elsewhere. This meant that the spread of that French technique of monarchical absolutism, which is concisely described in a separate chapter, produced varying results in Prussia, Austria, Russia, Spain and Poland. There is a useful summary of what happened in each of these countries.

Finally Mr Beloff discusses the impact of the French and American Revolutions on this European society. He holds that the first of these convulsions displaced what had already become the anachronism of hereditary monarchy, and left the impersonal state in undisputed control. In Europe, he believes, the American ideal of an egalitarian society helped to level the traditional structure of personal and corporate privilege, which had hitherto been an effective barrier to the unhindered operation of state power. These are important matters, and they deserve a more thorough consideration than Mr Beloff has been able to give them in this short book.

Weather Experts . . .

CLIMATIC CHANGE.
Edited by Harlow Shapley.
Harvard University Press (London: *Geoffrey Cumberlege*). 330 pages. 48s.

IN a year when the British weather seems determined to be more eccentric than usual, this collection of papers by American authors may well prove of interest to a wider circle than that of climatologists. The papers fall into two main groups: those which examine the evidence for past climatic change, and those which speculate on its causes. It is an interesting commentary on the organisation of scientific research in the United States that five of the contributions, none of particular strategic interest, spring in whole or in part from university research work financed by the United States Navy or Air Force. The book has the usual defects of the symposium: the papers vary in length from 38 pages to 3; their subjects frequently overlap; and they vary in approach between the popularising and the highly technical.

Yet the symposium is a method appropriate to a subject where, for example, the evidence for climatic change is built up not only by orthodox geology but by carbon dating of plant remains, by examination of tree rings, by the study of pollen preserved in peat, and in many other ways. No one writer could ever cover all these topics with equal authority. If there is occasional disagreement between papers, then this is by no means out of place in a subject in which there is still much genuine conflict of opinion. In fact, the various authors are in fundamental agreement in attributing climatic change primarily to the sun and not, as has sometimes been suggested, to changes in the configuration of the land and the distribution of the oceans.

Two papers are of more general interest. Professor Coon restates his view of racial diversification through adaptation to extremes of environment such as are provided by climatic change. Professor P. B. Sears re-examines the work of Huntington and adds his vote towards his current partial rehabilitation. The examples he gives of the effect of climatic variations on early man in Mexico will be of interest to readers already familiar with similar evidence from Northern Europe. But the place of man in this book is appropriately small: he is overshadowed by the forces of climate, acting through millennia.

Rebel into Genius

DON QUIXOTE OF THE MICROSCOPE—*An Interpretation of Santiago Ramon y Cajal* (1852-1934).
By Harley Williams.
Cape. 255 pages. 15s.

THIS is the story of never failing appeal, written by an enthusiast about a genius, with all the ingredients of true romance. It is about a naughty boy who would not follow the orthodox training devised for his good by an uncompromising parent—and was fully justified by events.

Santiago Ramon y Cajal was the son of a country doctor in Spain, earmarked to follow in his father's footsteps. He refused to learn; he was the *enfant terrible* of his village; and whether beaten, starved or cajoled, he insisted on disgracefully wasting his time in drawing and painting. Don Justo, goaded by the perennial fear of the ordinary man that the rogue he has fathered will be inacapable of self-support, strove to safeguard the future by a steady stultification of inherent possibilities of success; but the boy's peculiar genius was nourished by obstruction and turned to account every experience in a progressive development towards an unsuspected goal. That which could not be achieved by force came about by shared adventure. Don Justo, the anatomist, was short of bones, and Santiago, the rebel, was enchanted to assist his worthy parent in shinning over the churchyard wall to make a clandestine collection by moonlight. By the time they had surmounted the hazards of building a complete skeleton, the youth was quite prepared to study anatomy, and by slow degrees qualified as a doctor.

Thereafter, he bought a microscope (with the arrears of army pay); and his skill with the razor (acquired during a disciplinary apprenticeship to a barber) enabled him to cut the most delicate sections of human tissue; and his ability to reproduce with distinction the revelations of the microscope convinced Don Justo that there must be something in drawing and painting after all. So, with years of fanatical application, Santiago Ramon y Cajal became a world famous histologist, who built the foundation upon which modern research into brain function has become possible. At 83 he was honoured by doctorates of leading European and American universities, feted by the Royal Society, a Nobel Prize winner, and even officially designated as an "Illustrious and favourite child of the province of Zaragoza."

Dr Harley Williams's treatment of his specialised subject is lively and intriguing. He has avoided technicalities and documentary references, and concentrated on the vital qualities of an interesting character, sternly suppressing everything "that would look well on a tombstone." But his summing up would, indeed, make an excellent epitaph, and comfort all late beginners: "Santiago Ramon had one of those lucky minds which teach themselves and are harmed by pedagogy."

Key Port

SHANGHAI: *Key to Modern China.*
By Rhoads Murphey.
Harvard University Press (London: *Geoffrey Cumberlege*). 244 pages. 36s.

THE theme of this book, put briefly, is the inevitability of a great port on Shanghai's particular site, which is a key position in the Yangtsze delta, with the great river highway, a large population and a vast agricultural area behind it, and the sea before it.

With this there can be no argument, but the author's further contention, that the siting was a more potent influence in Shanghai's lush development during the past hundred years than its political structure, will be generally opposed. It is surely beyond question that the security and rule of law provided by the Foreign Settlements were the foundations on which the city's prosperity was built, and it is equally certain that the vast sums invested there between 1875 and 1940, by foreigners and Chinese alike, would never have been forthcoming had the whole area been under Chinese jurisdiction. In general, however, Mr. Murphey has produced an objective, factual sketch of this unique city since it was opened to foreign trade in 1842, and he shows that its growth "set widening patterns of change in motion throughout the country"—hence the sub-title.

Most of the research for the book was apparently done during 1948-50, and it seems possible that the author was unable actually to visit the object of his study. Otherwise he would surely have avoided some serious inaccuracies—especially in his references to the French concession—and would also have gained a more correct understanding of the methods of the foreign business houses. The book is well supplied with statistics and the author has gone to some pains to verify those he uses. His figures regarding industrial equipment are, nevertheless, misleading, owing to his failure to discriminate between establishments of a size justifying the name "factory" and those which are little more than cottage industries.

In his final chapter Mr. Murphey looks at the future. He sees Shanghai as likely to remain in the lead, both as a port and an industrial centre. He dismisses early attempts by the Communist Government to remove industries elsewhere as failures, so far. But since he wrote, a good deal has been done to develop industrial centres in the interior, and to support them by new rail and road construction. If these and other schemes prove successful, Shanghai's future as the leading industrial centre—as distinct from the principal trading centre and port—may well be challenged.

Shorter Notice

INTRODUCTION A L'ETUDE DES BANQUES ET DES OPERATIONS DE BANQUE.
By Henri Ardant.
Dunod, Paris. 314 pages. 1,550 francs.

This book is based on a course of lectures given by M. Ardant at *l'Ecole Normale Supérieure de l'Enseignement Technique.* It is frankly technical in character, and its usefulness to readers in this country is difficult to determine. In arrangement, it is somewhat untidy and still bears the marks of the schoolroom. Indeed, in many respects, it resembles the notes of the course of lectures on which it has been based. This appears to have been quite conscious, as it is described in its blurb as *sous un format réduit et . . . une véritable encyclopédie de la banque et de la finance en France.* It is divided into two parts. The first, which resembles an incomplete directory, provides an outline of the several groups of institutions involved and the second summarises the techniques which they employ in their operations. It is the latter that is the more useful, though it is still highly compressed and, worst of all, little attempt is made to analyse the relationships which obtain between the several parts of the system. If it were to be used as a book of reference, there is a useful index.

Books Received

DESIGNERS IN BRITAIN: *Volume* 4. Compiled by The Society of Industrial Artists. Edited by Herbert Spencer.
Allan Wingate. 158 pages. 45s.
This is a comprehensive review by photography of industrial and commercial design during 1952 and 1953.

THE CRIMINAL LAW.
By F. T. Giles.
Penguin Books. 271 pages. 2s. 6d.
There are already in existence a great many books which have the intention of explaining the criminal law of England to the layman, but a "Pelican" book on this comes into a category of its own because its price must give it a wider public. The author, who is Chief Clerk at the Clerkenwell Magistrates Court, has done a very good job indeed in displaying the law, dynamically as well as statically.

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.

Partnership with Congress

Washington, D.C.

EVERY President has his own particular troubles with Congress. Few can ever hope, under the American system of separation of powers, to be in the dominant position that Franklin Roosevelt achieved in his first term. Mr Eisenhower came to office at the end of an accumulating reaction against the Democratic, and specifically the liberal Democratic, conception of the strong Presidency. He was in the equivocal position of sharing the belief of many of those who voted for him that the President should scrupulously avoid invading the proper sphere of Congress and yet taking seriously his campaign "promises" that could only be "fulfilled" if he could direct the action of Congress. Yet the partnership between Mr Eisenhower and the Eighty-third Congress has been less barren than many predicted. This is because two of his special difficulties were exaggerated: the narrow margin held by the Republican party in both chambers of Congress and the legacy of the pre-nomination rivalry between Mr Eisenhower and the late Mr Tate, who had the support of the majority of Republican Congressmen.

It is, of course, very important that the party in office should have a majority of some sort in the Senate and House, so that it can organise the committees and hold the chairmanships. But apart from certain practical inconveniences, such as the difficulty of finding enough members to go round the committees so that the party had a suitable majority in each, the smallness of the majority has not proved crucial.

The character of Congress was not greatly changed by the election of 1952. A Democratic majority of two in the Senate gave way to a Republican majority of one, with one former Republican sitting as an Independent; the Democratic lead of thirty in the House became a Republican lead of ten. But on most important issues the conservatives were in charge of both Congresses. Whereas under Mr Truman this conservative majority—made up substantially of mid-western and western Republicans and southern Democrats—was in opposition to the Administration on domestic issues, under Mr Eisenhower it has been substantially in support of the executive. With the one exception of the farm Bill, where a particularly strong sectional group was involved, President Eisenhower has not needed to mobilise public opinion to coerce an unresponsive Congress; there have been no vitriolic veto messages on major measures and no over-riding of the President's veto.

This has been achieved partly at the price of postponing some of the more controversial issues—foreign trade legislation, for instance, and reform of the McCarran-Walter immigration law, which was not even mentioned this year—but mainly because there is considerable continuity between one Congress and another and the conservative majority had become accustomed over the years to voting for extensions of widely accepted social legislation, such as old age pensions and unemployment insurance. But when in the case of health insurance federal action was suggested in a new field, even though on an exceedingly modest scale, the President suffered defeat in the House from a combination of contemptuous liberals and suspicious conservatives.

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Although in the struggle for the nomination Mr Eisenhower was labelled a liberal and Mr Taft a conservative, the President's difficulties have not been with conservatives as a group. If that had been the case he would have been in a permanent minority. In the first place, only a few members of Congress are openly reactionary. Secondly, many of the Administration's achievements were truly conservative—particularly its new internal revenue code which seeks to satisfy businessmen's complaints that the tax laws affecting them discouraged expansion, and the large budget cuts which have been translated this year into new appropriations that are $28 billion below those passed in Mr Truman's last year of office.

Thirdly, in the big conflicts of this Congress the conservatives have not been by any means united. The most important of these conflicts, resulting in the President's most spectacular success, was over the farm Bill, whereby an end was at last made to high rigid price supports of "basic" commodities like cotton and wheat. Here the antagonist was the farm block which straddles the division between liberals and conservatives as it does that between Republicans and Democrats.

Even the conflict over public housing which, since the arguments against the programme are almost entirely ideological, would appear to be a straight issue between liberals and conservatives, with the President on the liberal side to a limited degree, turns out, in fact, to be much more an issue between the House and the Senate. Year after year, whichever party is in power, the conservative majority in the House votes to strike out the public housing provisions which the Senate is prepared to accept.

Since the principal dispute between Mr Eisenhower and Mr Taft was over foreign policy this was the sphere in which relations between the President and his party in Congress were most delicate. But in practice Congress rolled up all its discontents into one adamant dogma: no recognition for Communist China. Too much importance should not be attached to Senator Knowland, whose advice is often proffered but seldom taken, or to the various attempts to condemn President Roosevelt's policies in retrospect by resolution or constitutional amendment. In the actual conduct of foreign policy by Mr Eisenhower and Mr Dulles there has been relatively little interference. The appearance to the contrary during the Indo-China crisis arose chiefly out of the lack of unity of decision and clarity of thought within the Administration itself. On the other hand the foreign aid appropriations, which give the Administration increased discretion over the use abroad of vast sums of money, were eased through the Senate by, of all people, Senator Dirksen of Illinois.

Finally the Administration's relatively easy passage has been helped by the tactics of the Democrats who, in the light of the President's sustained popularity, and the need to avoid open disputes between the northern liberals and the southern conservatives, have refrained from forcing many party issues. Their most important effort, which failed, was the attempt to change the direction of the tax legislation, by putting income tax concessions for lower income groups to stimulate consumption in the place of help to investors to stimulate production. The Democrats also pressed the President's foreign trade policy in the Senate after he had announced its abandonment for the year, and succeeded in amending the atomic energy Bill, so as to strengthen safeguards against private monopoly. In the last days of the session they sprang their answer to the long-endured charge that they were "soft" on Communism by moving a Bill to outlaw the Communist party, a cause to which everyone found it necessary to subscribe.

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Although the conflicts that have gone on in this Congress have been real enough they have appeared to be greater than they are. Specifically the public impression was created that the Republican party in Congress was in general opposition to the Republican Administration. This was partly because of the long legalistic wrangle over the Bricker Amendment affecting the President's discretion in conducting foreign policy, but chiefly because Senator McCarthy pressed his assaults on the Administration with a vigour usual only when the President is unpopular. In responding to this challenge the Administration was deplorably weak. Thus a wholly superfluous air of crisis was created, which is still not dissolved, as the Senate plans to return before the election to hear a report from the Watkins committee on the Senator's conduct.

While the President is appealing to the voters to give him another Republican Congress to complete work on his programme, the chief unfinished item on his desk is the Randall Commission's report on foreign trade, which, if implemented by Republicans, would involve their repudiation of a tariff policy that has traditionally distinguished them from the Democrats. Everyone interested in trading with the United States must hope that, having felt in this year's battle of the farms the power of some of the weapons that are available to a President, Mr Eisenhower will use them with equal skill and persistence next year over foreign trade.

Off to the Elections

WITH a close race for control of Congress before them, the legislators have lost no time in getting away to a fast start. But the President and Mr Adlai Stevenson were off before them. It is no accident that both party leaders chose Illinois for the first heat. It is Mr Stevenson's home state, and one that his party should carry if he is to be entered in the presidential stakes in 1956. It is also the home of Senator Douglas, and the President must have taken particular pleasure in challenging, on his own ground, the leading prophet of "gloom and doom." Senator Douglas, who is an economist, threw professional caution to the winds last winter and led the outcry against a "Republican recession."

The President, whose theme is that the Republicans have secured peace in Asia without sacrificing prosperity at home, is probably more enthusiastic about the possible defeat of Senator Douglas than about the election of his Republican opponent, Mr Meek, a pro-McCarthyite business lobbyist whose views are repugnant to the President. Nevertheless, Mr Eisenhower managed a blanket endorsement for all the state's Republican candidates, which suggests that his preference for Eisenhower men will not be carried to the lengths of risking a seat in the next Senate.

This may be sacrificing the national interest to party expediency, as Mr Stevenson charged, but it is a sacrifice the Republican strategists were bound to demand. Since the House is likely to go Democratic, it is all the more vital to hold the Senate, and Senator Morse's defection, which is now complete, must be compensated for.

The President followed up his foray into Illinois with a television and radio speech praising the accomplishments of his Republican Congress. The real heat and burden of the campaign, however, is to be borne by Mr Nixon, the Vice-President, who is planning to speak in 23 states. This is to the liking of the Democrats, whose dismay at the tasteless attack on the President's integrity by Mr Mitchell, their own party chairman, shows they have no desire to challenge Mr Eisenhower's great popularity. In 1952, when he himself was running, he could sweep in with him only a bare Republican majority in Congress. The Democrats hope that this year, when he is not, dissatisfaction with unemployment, low farm prices and the Administration's friendly attitude to big business may turn the tables, particularly now that the Communist issue has been blunted by the fall in Mr McCarthy's prestige and the Democrats' part in outlawing the Communist party.

Anti-Communist Thunder

THE President has put as good a face as possible on the Bill outlawing the Communist party, which he signed this week. It is, of course, better now that it does not make membership in the Communist party in itself a crime, and thus, in effect, repeal the Internal Security Act, which aimed at forcing Communists into the open. But while it is now less harmful, the Bill has lost

most of its meaning; it is a loud roll of anti-Communist thunder, with very little lightning. The fact that only two members of Congress voted against it was a weightier argument for the acquiescence of the Administration than the President's rather unconvincing assertion that it would provide the law enforcement agencies with better weapons for combating subversion.

The Department of Justice expects more from the passage of less sweeping measures which were part of the President's own anti-subversive programme, such as the provision, included in the outlaw Bill, to enable bargaining rights to be withheld from Communist-infiltrated trade unions; the power given to the courts to grant immunity from prosecution to witnesses who otherwise cannot be compelled to testify; the Bill enabling the President to bar espionage and sabotage suspects from defence plants; the denial of citizenship rights to convicted Communists and the increased penalties for harbouring fugitives and jumping bail.

Many Americans have deep and justifiable misgivings about the proscription of any political party, however conspiratorial, and are shocked by the enthusiastic haste with which Congress voted to exploit anti-Communist fears. But in practice, the "immediate" denial to the Communist party of such rights and privileges as entering candidates in elections, suing in the courts, and holding bank balances is almost certain to be frustrated by precisely the same long legal delays which have postponed, for over four years, the application of the Internal Security Act, which requires "Communist-action" organisations to register or outlaw themselves. Whether an organisation which has lost its rights under one law can be compelled to accept responsibilities under another is a legal puzzle.

The new law also requires that individual members of the Communist party, who join or remain in it knowing its purposes, must register with the government, or incur heavy penalties. The Act recognises that Communist party members are unlikely to identify themselves and its liberal sponsors cynically borrowed a long list of criteria for determining who is a "knowing Communist" from their arch-enemy Mr Martin Dies. All this illiberal paraphernalia must seem singularly redundant to the Department of Justice, which proposes to go on relying on the Smith Act, under which it has already secured the conviction of eighty-one Communist leaders and which—although Congress apparently overlooked the fact—already made it a crime to belong to an organisation advocating the overthrow of the government by force.

Mutual Security for 1955

THE table below compares the final figures, of expenditures authorised and funds actually appropriated by Congress, for foreign aid in the 1955 fiscal year which began on July 1st, with the sums requested by the President and with the figures for the previous fiscal year. Most of the huge amount which was in hand at the end of that year was committed under contracts already placed but not completed; the reappropriations for 1955 cover the portion of this unexpended balance which was not yet committed although it was earmarked.

The first three of the six foreign aid programmes, which account for about five-sixths of the total expenditure, are all more or less military in nature. *Mutual defence assistance* takes the form of arms and equipment for allied countries; $200 million was deducted from the appropriation for this purpose at the last minute by the Senate, apparently because Senator Maybank thought this was the value of weapons which were on their way to Indo-China when the war there ended and which would therefore no longer be needed. *Direct forces support*, once intended mainly to help pay for the war in Indo-China, is now to go almost entirely to South East Asia and the western Pacific, probably to back up whatever comes out of the conference in the Philippines. *Mutual defence support* is to strengthen the economies of allied countries, including Greece, Turkey and Korea (which gets nearly half of this appropriation), so that they can maintain their armaments.

Development assistance is ordinary economic aid, none of it now for Europe. *Other programmes* are mainly for children, refugees (although there is nothing this year for the UN Emergency Fund) and administrative expenses, while *technical co-operation* is the old Point Four. Nearly $10 million was in the end allotted for the United Nations technical assistance programme; this is to cover the United States' contribution to the end of the 1954 calendar year, while the $18 million requested by the President was intended to last until July, 1955. The new Congress will be able to vote additional funds if it wants to do so, but the UN planners cannot count on this.

Except on this last point and on the provision of $35 million for British aircraft, where the more generous Senate view again prevailed, the Senate and House conferees tended to agree on the lower figure, for new funds, in the two versions of their appropriations Bills; the final amount was $658 million less than the President had requested. When it came to reappropriating funds, the conferees split their difference. Nevertheless, officials of the Foreign Operations Administration are reported to be very satisfied with the result. The authorisation Bill forced no important changes of policy on them and they have all the money they need for at least twelve months in hand. Furthermore the discretion given to them is immense, probably far greater than Congress realises. The cuts in spending on the various programmes can be distributed where officials think they will do least damage; 10 per cent of the money appropriated for any particular purpose can be allocated to any other purpose and 15 per cent of the total appropriated for military assistance can be moved from one geographical area to another as the Administration pleases.

$ million, rounded figures

	1954 Fiscal Year			1955 Fiscal Year				
				President's Requests for			Appropriated	
	Appropriated	Spent	Unexpended Balance, June 30th	New Funds	Reappropriation	Authorised	New Funds	Reappropriation
Mutual defence assistance	3,230	3,284	10,148	1,580	2,539	1,591*	1,193	2,422
Direct forces support	485	180	755	945	...	795	795	...
Mutual defence support	440	1,058	834	489	19	407	431	16
Development assistance	222	148	264	224	...	199	184	...
Technical co-operation	117	128	165	132	...	133	116	...
Other programmes	38	71	43	69	24	123	62	23
Totals	**4,532**	**4,869**	**12,209**	**3,439**	**2,582**	**3,248***	**2,781**	**2,462**

* Includes an authorisation of $198 million for future spending on Nato facilities (infrastructure) for which no new funds were asked.

Something for Almost Everyone

CONGRESS had plenty of warning that the President would veto the Bill providing for a straight increase of 5 per cent in the pay of 1,750,000 white collar and postal workers employed by the federal government. But the legislators who voted almost unanimously for this Bill hoped that they might thus induce civil servants to put on the President, who is not up for re-election this year, the blame for the failure of government pay to keep up with the rise in the cost of living. In fact, of course, as the President pointed out in his veto message, the fault is with Congress. For early this year he asked—and he promises to repeat the request next year—for an upward adjustment of civil service pay scales which would also have eliminated inequities and rewarded efficiency.

The lack of such adjustments in the vetoed Bill is one of Mr Eisenhower's reasons for disapproving of it. The other is that the increase in postmen's wages would add $112 million to the present deficit of $400 million a year on the operations of the Post Office and Congress has refused an equivalent increase in postage charges. The postal workers, a well-organised pressure group, complain bitterly that they are being penalised because Congress has been intimidated by businessmen who do not want to pay more for postal services, but the President insists that the two increases must be linked.

One rise in pay that Congress had no desire to approve in an election year was in its own salaries, and Senator Johnson, himself about to retire, put the Senate into a panic by proposing such a thing. Government workers have at least been given some subsidiary benefits; they now have a low-cost life-insurance plan, similar to those long offered by private employers, and they are eligible for unemployment insurance under the new Bill which will bring altogether an additional four million workers into this scheme at the beginning of 1956.

This is the first expansion of federal unemployment insurance for eighteen years and the Republicans offered another effective demonstration of how enthusiastic they are about the welfare state with the last Bill passed before adjournment, an extension of old-age and survivors' pensions. This makes about ten million more people, mainly farmers, farm labourers and local government employees, eligible for this type of insurance. It also provides for an increase in the pensions now being paid to over six million persons; the first of these additional payments will arrive, most conveniently, a month before the election.

Refugees Still Waiting

Washington, D.C.

PRESIDENT EISENHOWER'S letter to the Governors of the states asking them to help him make the Refugee Relief Act work is the second time this year he has shown impatience at the slowness with which a stirring humanitarian gesture is being followed up. The original trouble was that when Congress grudgingly humoured the President to the extent of offering to victims of war and persecution 214,000 visas over and above the normal immigration quotas those Senators who disapproved of the idea—largely because "if the security checks are 99.44 per cent perfect that will still let in 1,200 subversives"—were allowed to fill in many of the administrative details. As a result of the elaborate precautions required, the number of "homeless, tempest-tossed" people who, under this scheme, have actually passed the Statue of Liberty with its generous inscription has totalled only 2,253.

Now the chief difficulty lies elsewhere. Before any refugee can be considered for a visa there must be a personal assurance from one or more American citizens that a house and job will be waiting for him. Mr Eisenhower's request to the Governors is that they should follow the good example of Mr Dewey of New York in setting up a committee to work with various religious and other voluntary groups already in the field, so that operations are not held up by the lack of an even flow of such guarantees.

Of the 30,000 people who have so far applied for the visas, only 8,000—most of them "preference cases" with relatives in America—have received them. To qualify they must be unable to return to their normal place of abode and must not be firmly resettled, and they must be able to give a full account of themselves, supported by documents, that covers at least the previous two years. This rules out, for fear of admitting agents planted by the Communists, most people who have recently escaped across the Iron Curtain, though exceptions may be made.

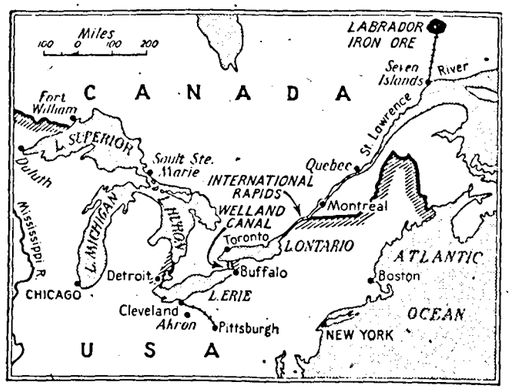
Hanging over the heads of all those who wish the programme well is the threat of a deadline: the last day of 1956, when the Act expires. The Senate Judiciary Committee has insisted that it will on no account countenance the use of visas not assigned by that date, but by then it is to be hoped that the President will have had some success in fulfilling his campaign promise to secure the overhaul of the basic immigration law.

Shipping on the Seaway

FROM A CORRESPONDENT IN CHICAGO

THE exchange of notes last week between the United States and Canada clears the ground for the construction of the St Lawrence Seaway by setting out each country's rights and responsibilities. Work has already begun on the great hydro-electric plant to be built on the St Lawrence near the International Rapids by the province of Ontario and the State of New York. The Seaway itself, which involves the spending of about $300 million to provide a 27-foot deep channel from the Atlantic to Lake Ontario, is now expected to be completed during 1958.

When it is open, the economic effects will be felt around the world. The hopes of the lake ports and the fears of the coastal cities illustrate the dramatic results the waterway is likely to produce. The port director of Milwaukee, whose waterborne foreign commerce totalled only 35,000 tons last year, expects to see it rise to over a



million tons annually, while the port director of New York City fears a loss of about 3,500,000 tons a year, one-sixth of the city's foreign commerce in general cargo and grain.

Whether these hopes and fears are realised depends on how much the Seaway adds to the 11.5 million tons of cargo which now move each year through the St Lawrence between the Great Lakes and the sea. The friendly estimate of the Department of Commerce puts the potential traffic over the Seaway as high as 84 million tons a year, but opponents of the project, such as the Chicago Association of Industry and Commerce, fix it below 20 million.

The most significant single economic effect of the Seaway will probably be to provide cheap water transportation for moving Canadian and foreign iron ore to steel mills on the Great Lakes, which turn out 35 per cent of all steel made in the entire world and supply Detroit's automobile industry, Chicago's farm equipment plants and Milwaukee's heavy machinery factories. This vast American Ruhr has always been based on low-cost lake transportation which has enabled steel mills in Chicago, Cleveland and Pittsburgh to obtain iron ore economically from the mines at the head of the lake system around Lake Superior; these reserves, however, are beginning to run low.

The Seaway promises to bring iron ore from Labrador, Quebec and foreign sources, at prices which will make it competitive with local ore. The deepening of the channel from 14 to 27 feet and the lengthening of the locks from 260 feet to 800 feet mean that the long slim lake ore boats will be able to move Labrador ore all the way from the town of Seven Islands, Quebec, to the midwestern steel centres. They have six or seven times the carrying capacity of the small ships that now use the waterway. The US Department of Commerce believes the new Seaway will ultimately handle over 35 million tons of ore yearly.

For farmers, the Seaway will mean lower transportation charges on the wheat and other grain that is exported. Today, it costs 14½ cents a bushel to ship wheat from Fort William at the upper tip of Lake Superior to Montreal. The National Grange, an American farm organisation, estimates that this will be cut by about 5 cents a bushel when it is no longer necessary to transfer the grain into small canal boats for the journey down river to points where it is reloaded into ocean-going ships. The Seaway will permit one vessel to move the grain all the way to Montreal or even to foreign ports.

A big increase is also expected in the movement of general cargo between foreign ports and lake cities. Shipping lines which operate the small boats that can navigate the present 14-foot channel have 130 in service, compared with 25 in 1948; the Lake Carriers' Association expects them to make about 300 round trips to foreign ports this year. Even with the present small boats, it is far cheaper to ship many items by water. For example, the International Harvester Company recently sent a larger crawler tractor from Chicago to Casablanca via the lakes. The freight was $586.46. The cheapest alternative route was to move it by rail to New Orleans; the cost of this rail-ship haul would have been $723.99. The exporting of automobiles on these small lake boats is increasing. When they are sent to the coast by train, automobiles must be crated in heavy wooden boxes. But in Detroit, the manufacturers' men watch the cars loaded into the boat and have found they can ship them safely uncrated. The saving amounts to $160 a car. The Seaway should greatly stimulate the use of all-water transportation to and from foreign ports by many other industries. It will be welcome to the papermakers in Wisconsin and Michigan who use Swedish pulp; the tyre-makers in Akron, with their demand for Malayan rubber; the soap producers in Chicago who need palm oil and copra. Even the Scotch whisky drinkers scattered across the midwest will benefit.

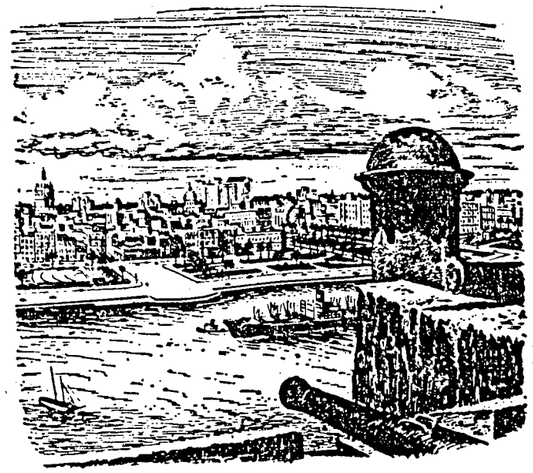
Foreign shipping companies will probably profit the most from this growing traffic. They have more small vessels that will go through the 27-foot channel than the American companies and the wages they pay are lower. Most of the ships that are now operating between the lakes and foreign ports belong to European shipping lines.

★

The Seaway will not prove an unmixed blessing. Railways operating in the eastern part of the United States will be heavy losers. Just how much business the Seaway will cost them, however, has never been authoritatively estimated. Some western railways may well benefit. They should move an increasingly large tonnage from interior points to the "gateway ports," which already draw shipments for export via the lakes from as far away as the Rocky Mountains.

Opponents of the Seaway also contend that the project will be a continuing drain on the American taxpayer. Toll revenues may be sufficient to reimburse Washington for the $105 million it has just agreed to provide for its portion of the project. But the critics argue that these expenditures are only the beginning. Deepening the connecting channels between lakes, for which no financial provision has as yet been made, is expected to cost more than $200 million. Additional millions will have to be spent to enlarge the Great Lakes harbours and build terminal and dock facilities for bigger vessels. Moreover, government projects of this type have a bad habit of costing far more than the initial estimates. And when the 27-foot waterway is completed a cry may go up for still deeper channels, for only a small fraction of the ocean-going boats in service today draw as little as 27 feet when fully loaded.

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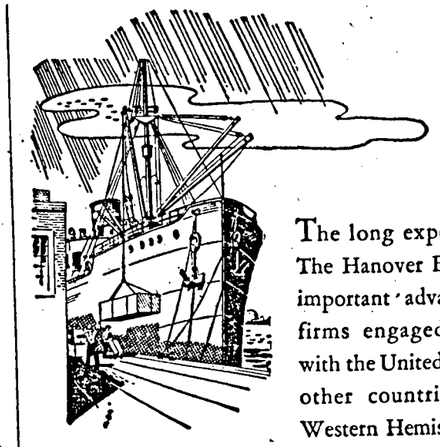
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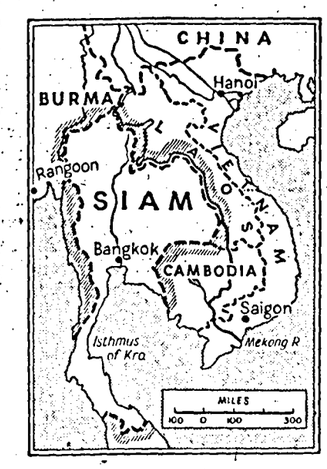
The World Overseas

Siam in the Front Line

THE collapse of the French in Indo-China has left Siam in the position of a fortress facing siege after the defeat of the field army which was covering it. As long as the French Union forces were holding out there was a substantial protective barrier against the might of its Communist neighbours, for Siam has no direct territorial contact with China and the Vietminh had their hands too full to be able to concern themselves with it. But the Geneva agreement has virtually removed the barrier. Not only has North Vietnam been turned over completely to the Vietminh; the armistice terms, which provide for Communist administration in two provinces of Laos, while forbidding that country to receive foreign aid for its defence, have legalised a fifth column which can hardly fail, with Vietminh support, to subvert it decisively within a short time. And Laos is the neighbour of Siam.

The government in Bangkok has so far maintained an attitude of defiance towards the far eastern Communist bloc, in striking contrast to the neutralism of Burma. There have been two main reasons for this. The first and more fundamental is the conflict between Siamese nationalism and the large Chinese minority within the country. The precise size of this minority (some members of which belong to settlements of long-standing and have intermarried with the Siamese) is disputed, but it is probably nearly twenty per cent of the total population, and before 1932 it had most of the trade of the country, including the vital export trade in rice, in its hands. It is, in any case, a much higher ratio of the population than in Vietnam or Burma, though, of course, far lower than in Malaya. The Siamese revolution of 1932 was partly a constitutionalist rising against the autocratic monarchy, but largely also a Siamese nationalist movement challenging the economic ascendancy of the Chinese.

Under the leadership of Pibul Songgram this movement subjected the Chinese minority to various kinds of discrimination and restriction and this internal struggle was a factor in drawing the Songgram government into a pro-Japanese foreign policy. With the defeat of Japan in 1945 the anti-Chinese policy had to be abandoned to some extent, but after Songgram's return to power in 1947 it was revived. The Kuomintang government of China, engaged in mortal civil war, was unable to do anything effective to support the interests of the Overseas Chinese, but with the unification of China under Communist rule, Siam had to reckon with the backing of a strong power for its Chinese minority. In the long run it could not hope to resist successfully if Mao Tse-tung were free to act in South East Asia. But as long as the French held Indo-China, Peking could not exert pressure directly on Siam. The only hope of holding out in a course of policy opposed to China now lies in the support of the United States—or of a group of western powers committed to containing the expansion of Communism in South East Asia.



For Siam itself, however, the issue is one of fear and antipathy towards China as such more than of anti-Communism. There is, nevertheless, a fairly strong anti-Communist complexion to the present government which reflects the differences between the recent history of Siam and that of other countries of South and South East Asia. As Siam never fell under the sovereignty of a western power the anti-imperialist appeal was much weaker there than in neighbouring lands and there was a greater continuity of the social and political order. Songgram's government joined Japan in the war in setting up the "new order in Greater East Asia," which was avowedly anti-Communist, and the war did not have the effect of letting loose Communist and left-wing resistance forces in Siam as in Vietnam and to a lesser extent in Burma, Malaya and Indonesia.

As a result of Songgram's policy his country avoided all the ravages of the Pacific war; it was neither invaded nor counter-invaded. It obtained from Japan accessions of territory at the expense of Indo-China, Burma (two Shan States) and Malaya; these had to be surrendered after Japan's defeat, but otherwise Siam got off very lightly as an ex-enemy state, mainly because the United States did not consider itself to be at war with it at all and used its influence on Siam's behalf. Songgram had to retire for the time being, but he remained something of a national hero. He was brought back to power by a military *coup d'etat* in 1947, and his return led to the exile of his principal rival, Pridi Phanomyang, a liberal of

vaguely socialist leanings who had opposed the pro-Japanese policy and become a British *protégé* during the war. Pridi's faction within Siam, in alliance with local Communists, has made more than one attempt to overthrow Songgram, but so far without success; meanwhile, Pridi himself has been looking for aid from abroad to help him get back to Bangkok. In view of the increasing American predilection for the Songgram government as an anti-Communist bulwark, he has taken himself to Peking and thrown in his lot with the Chinese Communists. The personal feud between the two Siamese politicians has thus been linked up with the cold war in the Far East.

The danger to the present regime is of two kinds. One is that a section of the armed forces, discontented with Songgram's rule and possessed by the idea—inevitably fostered by the French collapse in Indo-China and the hesitations about a Seato pact—that the new China is irresistible, may rebel and bring Pridi back as China's nominee, committed to a pro-Chinese policy. The other is that from a Laos increasingly decomposed by its fifth column, there will be Communist infiltration across the Mekong into the eastern provinces of Siam. These provinces which suffer greatly from drought are the poorest in the country, and it would probably not be too difficult to stir up enough discontent to start agrarian guerrilla action. Arms and "volunteers" would then follow. It is these possibilities, as well as that of direct military attack, that will have to be studied by the Seato conference next month.

End of the Vargas Era

THE suicide of President Vargas, following on the attempted assassination of one of his political adversaries, marks the close of a quarter-century in which the immense territory of Brazil became a nation. Save for the period from October, 1945, to 1950, when the army had forced him to resign, President Vargas exercised the supreme power which he grasped in 1930. Ranging from a revolt in Sao Paulo in 1932 and a romantic midnight defence of his palace in 1938, down to the present disorders, President Vargas's career has been a stormy one. But he gave Brazil a new sense of coherence, brought his country into the war against Hitler, and created for millions of his underprivileged countrymen a vision of a better future.

The downfall of Vargas is a result of the strategy by which he ruled his *Estado Novo*. He sought to balance against one another the forces of organised labour, the vast masses of the backlands and the army. The relationship between Catete Palace and the army was always the crucial factor in Brazil's political life. President Vargas's tremendous electoral victory over General Dutra in 1950 made the army realise that the lever of political power was slipping from its grasp. It waited for a chance to reassert itself, and found it in the dollar and coffee crises which are now afflicting the country. The President had lost his sure touch in the last months, and the bungled attempt to murder Sr. Lacerda proved his undoing.

What do the military forces now in control stand for? Brazil's army and air force of some 205,000 men are commanded by an officer corps drawn primarily from middle-class families in the Rio Grande, in Sao Paulo and in Rio de Janeiro. As these officers pass through a common cadet training and are grouped in clubs, they tend to form a powerful clique, which is staunchly conservative in its political and economic outlook and pro-western in its foreign policy. The fifty-eight generals who compelled President Vargas to resign represent the best educated and most mature element in Brazilian political life. They do not constitute one of those faintly comical yet sinister groups of colonels who appear so frequently in Latin American politics. They would probably claim that their rising against President Vargas was a rising against dictatorship based on illiteracy.

The question now is whether the new President, Sr. Cafe Filho, can restore tranquillity without major military intervention. Brazil, at present, faces two threats: first there is the possibility of a popular rising against the army; a rebellion in the backlands such as is characteristic of Brazilian history. That was what President Vargas was aiming at in his inflammatory posthumous message: "Every drop of my blood will be an immortal flame in your conscience and a sacred impulse to resist." But the "shirtless ones" to whom he was appealing have neither weapons nor leaders, and the terrible war in Bahia in 1896-7 is still not forgotten. One can look for a spell of riots and demonstrations, but not for an organised military action. The more likely threat comes from the generals themselves. Having tasted power once again, will they stay united? Is there not a Cromwell amongst them?

Much depends on the outcome of the formidable financial crisis in which Brazil now finds itself. The country is trapped between a lack of foreign exchange with which to increase production and tremendous pressure to raise wages. The decision to maintain a sky-high coffee price in the hope of obtaining dollars has proved a boomerang and in May coffee exports earned only $27 million as against a normal monthly average of $70 million. Brazil now faces simultaneously the necessity of stopping inflation and of carrying through a vast programme of industrialisation. If the country, in which over £50 million of British capital is invested, is to be helped back to financial health, outside support will have to be found. The free nations must remember that Brazil is the only effective counterpoise to Peron's Argentina, and that on its stability depends that of much of the Western Hemisphere.

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NOTES FROM INDIA

(These Notes have been contributed by our correspondent in India)

Enough Food to Go Round

SELF-SUFFICIENCY in food in 1952 used to be one of Mr Nehru's favourite, and most criticised, slogans. It has been achieved, to everybody's surprise, and only two years late, in 1954. This year's cereal imports are all for stock, and there may actually be some small exports of fine rice. The achievement owes a good deal to luck: the 1952 monsoon was good, the 1953 monsoon almost perfect; the rain fell in the right quantities, at the right intervals, on the right places; and so far, this year's monsoon again promises well, despite the enormous floods in North Bihar, North Bengal and Assam. Something also was due to good planning. India's agricultural standards are steadily improving as irrigation spreads and the peasant weeds more, fertilises more and uses better seed.

This year's crop has been ten million tons, fully one-fifth bigger than that of two years previously, an increase twice as large as the biggest year's imports India has ever made. There is at last enough to go round, and India has been able finally to dismantle its great apparatus of food controls. Today a man can buy as much as he likes, of the quality he likes, where he likes, at a price he fixes with the seller, and can move it where he likes. The only remaining control is one on the zonal movement of wheat, intended to protect the Government from making too large losses on its considerable stocks. This is a sharp contrast from the time in 1951 when 130 million were rationed, on a ration that for a few months came down to 9 oz a day, when in most States only the Government could buy, when at the same time it often laid down the amounts the peasant had to sell and the acreage on which he could grow non-cereal crops, and when prices and movement were alike rigidly controlled.

All this was necessary in its time; but its disappearance has brought with it a new sense of freedom. No longer is the rice full of stones; no longer do clerk and shopkeeper meet in the black market; no longer is one confined to the rationed qualities or must the peasant pay bribes to village accountants and police check-posts. Shopkeepers have suddenly recalled a forgotten politeness. The position of the Government has been immensely strengthened, the more so because so few, apart from the Food Minister, believed that decontrol was possible so soon and so successfully. Nevertheless, even plenty has brought problems in its train. The Food Minister has had to promise to support wheat prices at £21 per ton. The 100,000 or more people employed in food control are not proving easy to absorb. Planning and agricultural improvement both meet certain difficulties in a free market. But withal decontrol is popular. Next time India is short, the Government will only control if it cannot import.

* * *

Disinflation—For How Long?

MR DESHMUKH, India's Finance Minister, is a fortunate man; he can produce disinflation even while talking inflation. This year he expects an overall deficit approaching £200 million; for next year he has mentioned one of nearly £300 million, a sum almost as great as the Central Government's whole revenue budget. And he insists steadily, and probably rightly, that the second five year plan, to begin in 1956-57, must be much bigger than the first. A figure of £1,000 million per year has been quoted, which could mean deficits approaching in size the revenue budgets of the Centre and the States put together, for it is not likely that taxation, even with some foreign aid thrown in, could find more than £400-£500 million per annum at the outside. The economists who say that the only way for India to pull itself up by its own bootstraps is to do as Japan did, and by measured doses of money creation, at once to finance and stimulate development, look like having their own way simply for lack of an alternative; for India is determined to develop.

Yet against this inflationary background, India has been showing every symptom of a textbook disinflation. Prices have dropped by 6 per cent in a year, and are now as low as before devaluation; some commodities, like pepper and pulses, wheat and oilseeds, have gone down by very considerably more. Free market wheat is less than two-thirds the price of three years ago. Government credit is firm at 4 per cent, its tap loan is being steadily subscribed, its cash balances are up; private savings, especially rural savings, are a little higher than expected; the money supply, in a bumper crop year, has gone up only moderately; the bazaars are tight for cash.

The explanation is partly that government spending takes time to get under way, and although it is going considerably faster than last year, it is still not going nearly as fast as it will in a year or two's time; partly that industrial production is running at its highest level ever, and that this may have been the biggest agricultural year in India's history. In an economy like India's, that is still only very partially on a money basis, increased production induces a more than proportionate genuine extra need for money. To a very considerable extent India can stave off inflation simply by seeing that created money is absorbed by the goods it itself brings forth; the extra crop must follow the fertiliser loan too quickly for prices to have had a real chance to rise.

* * *

Curbs on Government

PRESS and public alike have been making it clear of late that they do not like their Constitution tinkered with. The Constitution is less than five years old, but the traditions which it codifies so elaborately have been building up for a century. Parliaments, human freedom, industrial rights and the welfare state are all old ideas now in India; and they are ideas to which the public is becoming increasingly attached. Over the last four years the Courts have gradually been revealing to the people just how extensive are the rights and freedoms they gave themselves in their Constitution. In so doing, they have reinforced their always strong hold on the public's respect and affections; but the Executive has been profoundly upset. It had not realised quite how much power the Constituent Assembly was taking away from it.

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officer that the failure was deliberate ; land to rehabilitate refugees cannot be taken over at the values of 1946 ; the Government cannot take over a mismanaged mill without compensating the management ; presses cannot be confiscated because newspapers are light-minded in their attacks on Ministers or officials ; government servants cannot be dismissed if the proper procedure is not followed —a Punjab constable has been reinstated with twenty years' back pay, because he was not given opportunity to show cause against his dismissal ; municipalities cannot create private monopolies in their vegetable markets. And so on.

The Executive is irked ; so the Centre, the State governments, and the working committee of the Congress Party, have all been discussing a whole spate of amendments. The General Secretary of the party has even spoken of an amendment to enable the Bombay government to stop non-Anglo-Indian and European children going to schools teaching in English ; but such proposals definitely count as tinkering and stand little chance. The three amendments that might go through would make the amount of compensation when the State takes over private property not justiciable, would permit some restrictions on the "yellow press" (what restrictions has never been made clear ; there has been talk of scurrility and obscenity but the Indian press, though sometimes scurrilous, is hardly ever obscene) and would reduce the guarantees to government servants. And even for these the Government will have to make out a much better case than it has so far if it is to get them through.

* * *

Planning Begins in the Village

THE first five year plan ends on March 31, 1956, and the machine of government is already turning towards working out the second. To some extent this is automatic. Such departments as railways, roads and irrigation have always to be thinking more than one or two years ahead ; they already have a queue of schemes—the problems are straightforward administrative ones—priorities, the importance to be given to relative return as against, say, a fair regional division, the total number of schemes for which men, materials and money can be found. That is how the first five year plan was worked out, in the secretariats and the Planning Commission. But this time the Government is attempting something much more ambitious.

It is trying to make planning an affair of the people, to plan from the bottom, from the village, instead of from the top, from Delhi. So far the picture is complete only in Travancore-Cochin, but the idea is that at each level, in the village, in the *tehsil*, in the district, the public will decide for themselves not only what they want, but how much they are prepared to pay for it. The Government has not the money to do everything and people will often pay to help themselves, if only in labour, where they would not accept higher taxes. It is a system which has worked with great success in the community projects. A village which would offer passive resistance to a governmental increase in the land revenue, will lay a cess on itself to help build a school or a dispensary ; and project officers have been learning to accept the villagers' priorities instead of their own, and not to be too shocked if one village wants a school first, another a seed-store, a third a maternity home, a fourth a road. It is not tidy ; but it is democratic.

* * *

Illiterates into School

No country except China has an educational problem as large as India's. Four-fifths of the population is still illiterate ; the medium of higher instruction, English, is only three-quarters understood by many students ; the bias is still towards producing gentlemen of culture rather than technicians, farmers and businessmen ; teachers are too few and grossly underpaid—a university lecturer may get £3 a week, a primary school teacher £1 ; too many undergraduates take pass degrees ; there is too little equipment ; two-thirds of the nation has still to learn the national language. It is little wonder that ever since independence there has been a spate of committees and commissions on education, or that governmental policy often seems contradictory and confused, or that the public is seriously disturbed for its children.

Out of the welter of problems, however, there is gradually appearing a policy, still tentative, still beset by lack of money, but definitely there. First priority goes to primary education ; half the children of school-going age are now in school, and every child will be there, if not by the Constitution's 1960, in another ten years or so. Second priority goes to making education more practical. High schools are beginning to be equipped with small farms, primary schools with allotments. Bombay is introducing such subjects as accounts and the working of the Stock Exchange into its secondary course. Two technological institutes of university level have been opened. Each district is to have a multi-purpose high school, rather like an English modern school. New medical and engineering colleges are being opened fast. There is a slow spread of basic primary schools, whose emphasis is on learning through doing. Most students still in practice get an old-fashioned literary education only because it is the cheapest.

Third priority has been given to raising teachers' salaries. There is a University Grants Commission, and many States have increased primary and secondary teachers' salaries in the last couple of years. Finally, English is slowly being got rid of as the medium of instruction—not, of course, as a subject. It is almost out in the secondary schools ; in the universities it may still take ten years, while they translate textbooks and decide whether they prefer Hindi or the regional languages. Hindi, however, has been introduced everywhere, and at the late primary stage. India's education may still be transitional and poverty-stricken ; but the priorities for changing it have been chosen.

The Economist—BY AIR

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THE ECONOMIST, 22 RYDER STREET, LONDON, S.W.1

Italy Bereaved

FROM OUR ROME CORRESPONDENT

THE death of Alcide De Gasperi has deprived Europe of one of its greatest postwar statesmen. To the British public he was known and appreciated as the architect of Italy's impressive recovery rather than as one of the creators of the Movement of European Union. But his achievements are equally impressive on both counts and he was keenly aware of the close connection between them.

When he took office as Prime Minister in 1945 (a post which he was to hold for the next eight years) he found his country devastated by the war, occupied by the Allies, divided by recent civil strife, materially and spiritually exhausted, humiliated by defeat and politically corroded by twenty years of dictatorship. The Allies, it is true, soon departed, but it was to leave Italy, for all practical purposes, under the control of the powerful and armed Communist party.

Yet, in 1947, Signor De Gasperi took the courageous step of dropping the Communists from his government and, at the elections held the following year, he secured an absolute majority for his party, the Christian-Democrats. In collaboration with the other centre parties, he steered Italy into Nato and raised his country's prestige to a level higher than its actual strength might have warranted. He backed the Einaudi line of financial orthodoxy and stability, checked any tendency towards inflation and set the country on the road to economic recovery which has now raised industrial production to 75 per cent above the prewar level. He launched a vast programme of agricultural reform and made the authority of the state respected. In particular, his right-hand man, Signor Scelba, cleared the street of the Communists.

Pillar of Europe

But his achievements in laying the foundations of the European Community were equally remarkable and they were fittingly recognised when he was appointed President of the Coal and Steel Community. His enthusiasm for federalism was based on the clear realisation not only of the need for the closest possible integration of the anti-Communist forces but of the advantages to Italy of a counterweight to the chauvinism which Fascism had done so much to foster. No doubt, too, he was inspired by his early experience as a deputy in the multi-national Diet at Vienna where he had represented his native province of Trento while it formed part of the Austrian Empire. If the movement for European Union has struck such deep roots in Italy, the credit very largely belongs to this great statesman.

A third and not less important achievement was the healing of the breach between Church and State in Italy. The two powers had been at loggerheads ever since 1870 when the newly unified Italian Monarchy was formed partly at the expense of Papal territory. A first move to bridge the gap had already been made, after the first world war, by the Popular Party whose parliamentary group was led by Signor De Gasperi until it was suppressed by Mussolini. During and after the war Signor De Gasperi ensured close co-operation between progressive Catholics and the new democratic regime and even succeeded in building up his party, the Christian Democrats, who were merely the Popular Party in a new guise, as the main bulwark against Communism in spite of their heterogeneous composition.

In effecting this revolutionary change in the Catholics' role in Italian politics, Signor De Gasperi no doubt profited from his Austrian upbringing and experience. Although a devout Catholic, he pursued a much more independent line in relation to the Church than most of his colleagues would have done and thus avoided giving the Communists too much of a chance to beat him with the anti-clerical stick, which the average Italian is still inclined to wield.

Nevertheless, it is widely held that, under his regime, the Church has gained a very strong grip on public life, and this consideration, combined with skilfully exploited discontent with his electoral law, contributed towards his lack of success at the 1953 elections. The lay centre parties, at any rate, are inclined to ascribe the drop in their votes to their close association with a government dominated by the Christian Democrats.

Whatever the explanation, his centre coalition only obtained the most slender of parliamentary majorities and he himself was forced out of office. In party matters, too, the time had come to withdraw and, at the recent Naples Congress, he handed over to the younger and more dynamic Signor Fanfani. His farewell from the party was made painful by the clarity with which he showed that he understood the difficult road that Italy still has to travel. With unemployment still round the two million mark, the problem of the South still largely unsolved, the political climate unhealthy, and the extreme Left steadily improving its position, there were ample grounds for the acute heart searching which marked the party's deliberations. Perhaps it was those considerations, coupled with the weakening of Signor De Gasperi's unifying control, which brought out into the open many of the internal differences which had hitherto been smoothed over.

Observers at the Congress felt that a new epoch had opened for Italy. Signor De Gasperi's death underlines the break even more sharply. Well-wishers of Italy hope that its permanent difficulties will find a statesman able to deal with them with the same mastery as Signor De Gasperi solved those of the transitional period.

Co-operation in Scandinavia

FROM OUR SCANDINAVIAN CORRESPONDENT

LAST week in Oslo the fifty-three delegates to the second session of the Nordic Council—sixteen representatives from Denmark, Norway and Sweden respectively, and five from Iceland, drawn from the major political parties—congratulated one another on working through their 35-point agenda in nine days, one day ahead of schedule. Far-reaching economic proposals had been laid before the Council. At a plenary session, the delegates endorsed by an overwhelming majority (with nine abstentions) a recommendation urging the four governments to take concerted action forthwith to establish the necessary conditions for a common market in certain goods, as a first step towards a customs union. Agriculture alone is to be specifically excluded.

Although the Nordic Council is an advisory body, with

no executive authority, its recommendations carry great weight. No less than 24 Ministers, including the four Prime Ministers, attended the debates in Norway's ugly, yellow-brick *Storting*. After the historic vote on the common market was cast, Hr Erlander, the Swedish Prime Minister, invited his Danish and Norwegian opposite numbers to his official residence, Harpsund, this autumn to discuss how to put the recommendation into effect. The products that will probably be included first in the common market are furniture, chemicals, paint, porcelain, shoes and leather goods, textiles, agricultural machinery and radios.

The resolution on the common market was a compromise formula framed to allay deep-rooted Norwegian misgivings. While fully subscribing to the principle of economic co-operation, the Norwegians, with their strictly planned economy and somewhat backward industrial development, feared the chill winds of Danish and Swedish competition, and held that talk of a customs union was premature. Norway is, moreover, sensitive to any threat, however shadowy, to its relatively recent independence, after centuries of alien rule. The Norwegians have been protagonists of co-operation first in specific, limited fields. Pointing to the successful model of the Scandinavian Airlines System, they proposed similar joint enterprises in steel, chemicals and textiles. Norway, too, is anxious to attract Danish and Swedish capital for the development of the country's vast resources of hydro-electric power, which it could then export to its neighbours.

The Swedes and Danes felt that Norway's proposals, admirable in themselves, did not go far enough. Earlier this year it seemed likely that they would press on with their plan for a common market together, leaving the door open for Norway to join later. Last week's happy compromise (which split the Norwegian delegation) took into account Norway's special interest in certain concrete projects and recognised that "implementation of a common market must occur gradually over an extended period," proceeding "in different ways and at different speeds in the various branches of the economy and in the various participating countries." While the Norwegian Social Democrats—the government party—felt able to support this motion, the eight opposition delegates (and one Icelander) abstained. A counter-proposal, moved by the rebels, to defer a decision until the Council's next session, thus allowing further discussion in the *Storting*, was heavily defeated. In ten to fifteen years' time, the century-old dream of a Scandinavian *Zollverein* may well be realised.

Russian Fulminations

In Oslo, the Council turned its attention to a mixed bag of minor proposals, which ranged over the whole field of Scandinavian co-operation; and it noted with pleasure that this July the common labour market became a reality, so that Scandinavians, including Finns, no longer require passports when visiting each other's countries. Several speakers deplored the absence of Finland from the Council's deliberations. The non-Communist Finnish press has recently been urging the government to apply for membership. The Soviet Union, intolerant as ever of the efforts of the free nations to work together, has violently attacked the Nordic Council. An article in *Izvestia*, clearly addressed to Finland and Sweden, described the Council as "part of the aggressive Atlantic Pact": it alleged that Sweden was being drawn into the Atlantic camp, and that it was America's aim to disturb the good-neighbourly relations between Finland and the Soviet Union. Undeterred by Russian fulminations, the northern countries will continue, unobtrusively but with quiet determination, their successful experiment in regional co-operation.

Orientalists at Cambridge

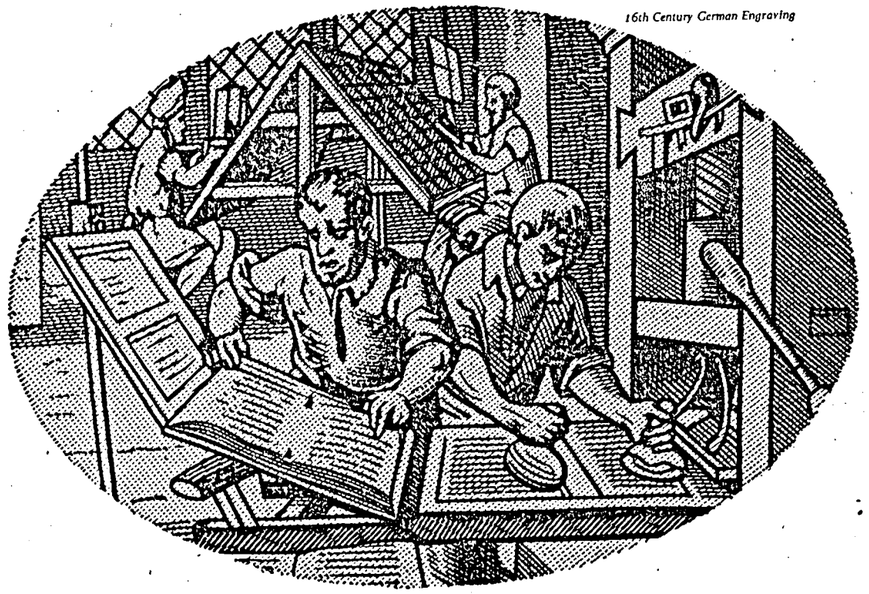
FROM A CORRESPONDENT

At this time of crises and upheavals in Asia and Africa an unusual significance attaches to the International Congress of Orientalists that has just been held in Cambridge. This is the first time that Britain has entertained the conference since 1928. More than 900 scholars in all branches of Asian and African studies have been gathered together, the majority from western countries, though a large number came also from the nations with whose languages, cultures and history these studies are concerned. One notable feature of the meeting has been the reappearance of a Soviet delegation; as part of the general increase of comings and goings through the iron curtain, a team arrived from Moscow with a formidable cargo of papers to be read to the non-Communist intelligentsia. The insistence of the Soviet Government on recognition of Russian, on an equality with English, French and German, as an official language at international conferences has created certain difficulties of communication, but at the opening session of the Congress Academician Guber first read his address in Russian and then translated it himself into excellent English.

At sectional meetings Marxist versions of Asian history, with emphasis on recent anti-imperialist liberations, are read in Russian, but printed English translations are distributed to the audience; unfortunately, the supply of these is not always adequate, so that the message has not always reached those to whom it is addressed. But the presence of the Russians and their highly topical papers have certainly lent variety and liveliness to the conference, in which, quite apart from their special zeal, there has been a strong tendency to vary with themes of current interest the more remote and erudite themes of scholarship which would have exclusively occupied attention at such a gathering a generation ago. A special booklet, under the title of "Orientalism and History," prepared specially for this conference, has attempted a general survey of the civilisations of the East and their place in world history, and raised in a challenging manner problems of the relations between East and West ranging far beyond the numerous specialised subjects discussed this week at Cambridge.

★

Correction.—In "Notes from South Africa" which appeared in *The Economist* of July 24th the distribution of seats in the Transvaal Provincial Council was inadvertently given incorrectly. The present position as a result of the 1954 elections in the four provinces is: Cape-National party 30, United party 24 (Native Representatives 2); Transvaal-National party 45, United party 23; Orange Free State-National party 25, United party nil; Natal (where the elections were held earlier this year), National party 4, United party 21.



16th Century German Engraving

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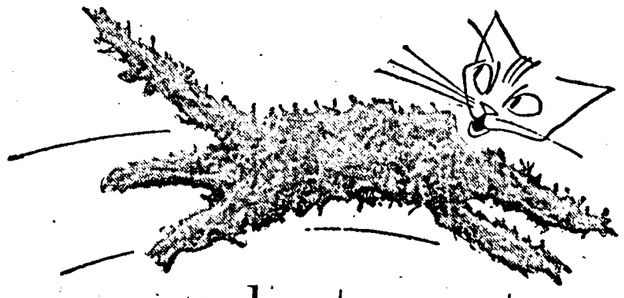
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THE BUSINESS WORLD

Britain Repays

THE British Treasury this summer has been busily engaged in tidying and clearing up its abnormal international debts. Last month the United Kingdom consolidated some $395 million of its debt to the European Payments Union, substituted for it a series of direct agreements with the several European creditor countries and put down on the counter $98,750,000 in gold or dollars with which to begin the repayment. This month it has turned its attention to its relationship to the International Monetary Fund. Britain's account there is now to be cleared of the sterling that the IMF held in excess of the amount originally subscribed by the United Kingdom. This excess, amounting to £40 million, is now being cancelled by a repurchase of the sterling, for which $112 million has been taken in dollars out of the Exchange Equalisation Account and paid over to the IMF.

To appreciate the significance of this operation, it is necessary to examine the origin of this "excess" and the nature of the IMF mechanism. When the United Kingdom joined the IMF the quota allotted to it for its membership subscription (and determination of its rights to the Fund's facilities) was fixed at $1,300 million. In accordance with the Articles of Agreement $236 million of this was paid in gold or dollars and the balance of $1,064 million was subscribed in sterling, for the most part in the form of non-interest bearing notes, which the IMF could call for payment in cash on demand. The IMF thus started operations in 1946 with a sterling holding worth $1,064 million in cash or at call. (The Fund keeps its accounts in dollars and when Britain devalued, the dollar equivalents had to be made good.) The Fund's sterling holding was soon increased because of the pressure upon Britain during its dollar crisis of 1947-48, when the postwar American loans to Britain were running out. To ease its dollar difficulties Britain utilised its right to seek aid from the Fund by buying from it, for payment in sterling, a total of $300 million of US dollars. This "sale" of sterling to the IMF brought its total sterling holding to the equivalent of $1,364 million, and this was later swollen by $4 million worth of sterling payments of interest charges on these transactions.

But when sterling recovered and certain other member countries of the IMF found it a scarce currency, they in turn had recourse to the Fund's facilities—by buying sterling from it against payment in their own currencies. The first such sales of sterling by the Fund were actually made in 1947, when the Netherlands bought sterling to the equivalent of $6 million. In 1951 Brazil made a purchase equivalent to $28 million. Then, in 1953, the year in which sterling really became a hard currency, it was bought from the IMF to the value of $158 million—by Japan, Brazil and Turkey. These purchases amounted altogether to $192 million, which left the IMF with a holding equivalent to $1,176 million, or $112 million in excess of the original holding. This is the excess that has now been repurchased, so as to restore the United Kingdom to its initial position in the Fund.

★

The Treasury statement that announced this repayment at the end of last week went out of its way to stress the fact that this was a voluntary move, that "the United Kingdom was not under any legal obligation under the provisions of the Articles of Agreement, or bound by any specific undertaking, to repurchase the $112 million, or any part of it, and the Fund has made

no representations to the United Kingdom on the subject." This is doubtless an entirely accurate construction of the Fund's Articles of Agreement, but it does not wholly accord with the statement issued by the IMF in February, 1952, about the use of the Fund's resources and repurchases of members' currencies. The IMF then pointed out that "considering the necessity for ensuring the revolving character of the Fund's resources, exchange purchased from the Fund should not remain outstanding beyond the period reasonably related to the payments problem for which it was purchased from the Fund. The period should fall within an outside range of three to five years." But the difficult circumstances that necessitated and justified Britain's purchases of dollars from the IMF in 1947 and 1948 disappeared long ago; it therefore seems evident that the spirit, if not the letter, of the Articles of Agreement required this repurchase of sterling. Indeed, even on the most liberal arrangement indicated by the IMF in its declaration of February, 1952, the repurchase should, in fact, have been made twelve months ago.

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Quite aside from such considerations, the operation was obviously desirable from Britain's own point of view. It helps to show the gold and dollar reserve of the sterling area in its true colours, without any such special brightening as it has secured in the past as a result of the debts owing to EPU and IMF. To the extent that Britain was indebted to these two organisations, the gold and dollar reserve was spuriously swollen. At a time when the feasibility of making the pound convertible and the amount of external support that such a move might necessitate are being discussed, the British authorities naturally have no wish to see their reserve dressed up to appear even more impressive than it really is. Now that confidence in sterling runs high, there is nothing to be gained from any artificial boosting. This view was apparent, indeed, in the last reduction in the Bank rate. The cut from 3½ to 3 per cent last May was not dictated by trends arising from the domestic economy, but was intended mainly to check an excessive inflow of foreign money; if the pace of inflow of foreign funds had continued, some unknown part of the reserve would have had to have been regarded as earmarked against a future outflow of "hot" money.

Despite these special considerations the repurchase of sterling from the IMF and the preceding repayment of debts to EPU creditors both carry reassuring implications. These two operations involve a draft of over $200 million on the gold reserve; and the fact that they were launched on the eve of the autumn pressure on sterling provides an eloquent and comforting commentary upon the confidence with which the British authorities now regard the prospect of sterling. This mark of confidence was, indeed, duly acknowledged in the markets. The news of the repurchase of sterling from the IMF was followed by an immediate though short-lived recovery of sterling in the foreign exchange market at the beginning of this week. It also had a strengthening, though also not enduring, impact on the market for gilt-edged securities.

The timing of this clearing of the decks with the IMF, just before the important discussions that will take place in Washington when the Governors of the Fund meet next month, might suggest that it is directly connected with the convertibility "exercise." It has no such immediate significance. This is not the prelude to a decisive move; to judge from all outward indications, the possibility of that appears to be receding well into 1955—and perhaps beyond the next General Election. That, however, will not deter those gathered at Washington, the Chancellor of the Exchequer included, from devoting further study to the "collective approach" to freer trade and payments. The possible protraction of the delay before the hopeful travellers arrive offers no excuse for neglecting the technical preparations that should be made for "the day."

★

Among those preparations is the provision of adequate reserves of international credit for which the IMF will certainly be chosen as the main and probably the only instrument. The hope is that the relatively untried device of "stand-by" credits will fill the need. These arrangements are intended to give member countries assurance that during a predetermined period sales of exchange by the Fund will be made up to a specified amount whenever a member requests them. Attempts will certainly be made to induce the Fund to relax some of the restrictions it intends to impose on such "stand-by" arrangements—among them that they should be limited to periods of not more than six months and that they would comprise only the portion of the quota (normally 25 per cent in any one period of 12 months) to which a member would be entitled under the Articles of Agreement. In taking the initiative for any such loosening of the IMF mechanism, Britain will be strengthened by its recent repurchase of sterling from the Fund and the restoration of its position to the pristine purity of 1946.

INDEX

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Kaffirs' New Character

GOLD shares have been intermittently moving upwards in recent weeks, rising when other markets have been rising and declining when the general market rise has been checked. It has been a selective and fairly cautious advance centred on the new mines of the Orange Free State, the Far West Rand and the Klerksdorp area, together with the gold-cum uranium shares and mining finance house shares. Only occasionally, as happened a fortnight ago, has the tide spread to catch up the established mines of the Rand in its swell. But though the rise has not been all-embracing it has been substantial. The developing gold mine shares have touched new peaks and remain near them today. The advance is curiously timed. Gold shares do not normally move with gilts and industrials; they sit on the opposite end of the market see-saw, for investors tend to buy gold shares when they lack faith in gilt-edged and home industrials.

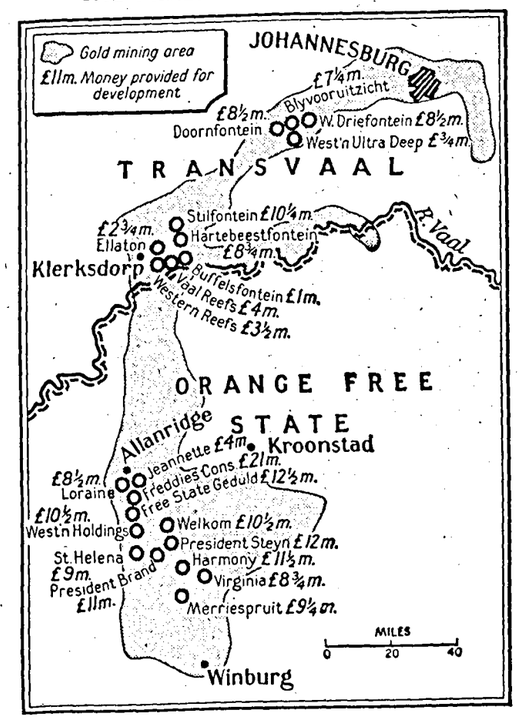
But no lack of confidence exists at home. The Stock Exchange boom has not been destroyed; profits and dividends are still rising; American recession seems to have moved away and a higher gold price seems as far beyond the horizon as it ever was. It would be absurd to suggest that the slight seasonal weakness in sterling has any relevance to the demand for gold shares. That demand must spring from other causes. One of these is French buying; another is anticipation by the more volatile investors in this country. Good profits have been made and taken in the industrial market. There are some who now feel that a moderate stake in gold shares is no more than a reasonable insurance. And if it should happen to be the approach of an election that eventually stops the industrial boom, then—runs this argument—South African gold shares would not be a bad election hedge.

But is there not something more behind the rise? Have the mines of the Orange Free State, much the most important of the new areas, caught up with their initial difficulties—rising costs, shortage of capital and shortage of labour?

The labour shortage has not been decisively overcome. The chart shows a long term downward trend in the supply of native labour. Subsequently, there has been a better than seasonal recovery in the first half of 1954. At just over 310,000 the June labour force was nearly 37,000 higher than in December and about 30,000 more than in June last year. The figures now look encouraging; Mr Kenneth Richardson, President of the Transvaal and Orange Free State Chamber of Mines, has described the labour supply as much more satisfactory than it has been for years past. But before trying to assess the gains it will be wise to wait until December, when many native labourers return to their villages for the harvest. At best, native labour remains uncomfortably scarce though the supply of European labour has improved. Mr Harry Oppenheimer recently told the South African parliament that the present deficit is 50,000 and that by 1958 a further 30,000 native labourers will be needed. Inadequate labour means higher costs, but those cost increases fall mainly on the old-established mines, for labour is allotted by the Native Labour Committee of the Chamber of Mines, which gives developing mines a generous share.

On the score of costs the verdict must also be indecisive. Investors must expect that on the deep, heavily watered, and heavily faulted gold reefs of the OFS, costs will always be high, just as some of the new mines of the Klerksdorp area, extracting gold at shallow

THE MINES AND THEIR MONEY

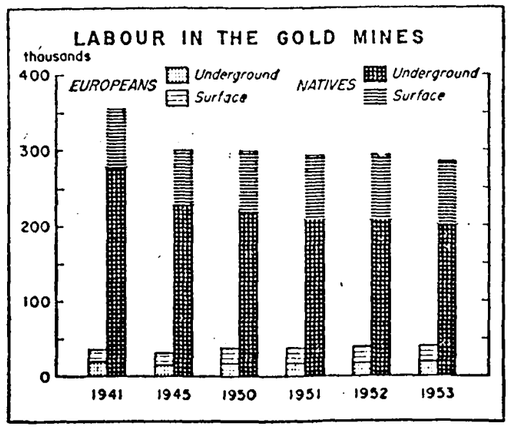


Money for the New Mines	Raised Since 1945	Estimated Sum Still Needed
	£ mn.	
Orange Free State	128·6	40·0
Far West Rand	24·9	—
Klerksdorp Area	30·6	12·8
Total	184·1	52·8

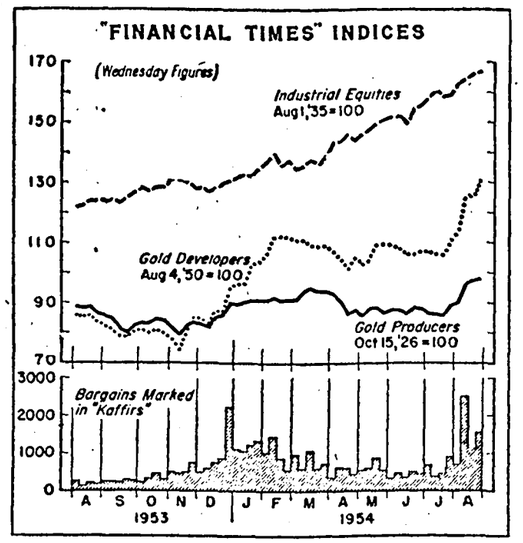
On the basis of existing mines and excluding any estimate for ultra Deep Levels (Far West Rand) which is a special project whose needs cannot be assessed.

depth, can hope for relatively low costs. But as the tonnage raised in the Orange Free State increases, the rising trend of costs should flatten out. Stability at a level sharply higher than on the Rand should be reached.

When it comes to finding the capital to open up South Africa's new gold resources, investors can take heart. The back of the problem seems really to have been broken. No less than £184 million has been found for the mines of these areas since 1945—



over £69 million from the Anglo-American group, with its diamond profits to draw upon and a further large sum from the Kennecott Copper Corporation. Some £53 million has still to be provided for the existing mines, assuming the average cost of bringing an Orange Free State mine to full production to be £13 million, including housing. And the total may be raised by perhaps a further £40 million if allowance is made for possible new mines. But the task no longer



looks impossible. The present twelve mines of the OFS, the six of the Klerksdorp area and three of the four in the Far West Rand have been carried to a point which permits some confidence that their capital needs will be met.

The prizes dangled before the investor who is happy about the general outlook are more inviting than ever. In most of the new mines that have reached the production stage actual results are much richer than was suggested by the boreholes previously sunk to prove

AVERAGE DEVELOPMENT
Quarterly Reports Sept. 30, 1953 to June 30, 1954

Mine	Percentage payable	Value in inch/ pennyweights	Previous range of borehole indications from principal reef in Development area inch/dwts.
Orange Free State: *(basal reef)*			
President Brand	95·38	1,650	296—1,207
President Steyn	87·68	599	129— 546
W. Holdings..	84·24	729	392— 431
Harmony	96·93	634	174—1,179
St. Helena ...	60·41	389	39—2,777
Klerksdorp Area: *(Vaal Reef)*			
Stilfontein ..	80·47	376	101— 750
Vaal Reefs ...	88·23	556	107— 369
Older Rand Producers:			
"Sallies"	33·04	470*	
Crown Mines .	58·29	351	...
Grootvlei	41·55	219	...
			...

the mines. That is no surprise to geologists familiar with the limitations of the evidence obtained from diamond drilling and boreholes, but it is refreshing news for non-technical investors. The table shows some examples of actual development over the average of the last four quarters, compared with the previous borehole results from the main reef in the vicinity of the shaft. It also brings out two other encouraging facts—that the percentage of payability is abnormally high and that both the grade and payability are running much above the common experience of established mines on the Rand, three examples of which are given for comparison. Even allowing for the fact that high cost demands good ore—at least 150 inch/pennyweights—to show a profit, the facts are encouraging.

In the first five months of this year South Africa's gold production was 334,551 ounces more than in the same period of 1953. It has been foreshadowed that South Africa's total output for the year will exceed 12 million ounces for the first time since 1943. The new mines should be able to sustain a fairly high level of costs and earn a return, even ignoring the fact that several of them have been chosen for government-sponsored uranium plants. To assess that return and the fate of investment in individual mines is a matter of conjecture. One estimate of possibilities of the OFS

mines is the somewhat optimistic forecast made by Mr S. G. Menell, chairman of the Anglo-Transvaal group, that the OFS would produce an income from gold alone in the range of £100 million a year gross by 1960.

Developing gold mines pay no dividends; the optimist is not earth-bound by mere figures; calculations are attempted but fancy remains free, and opinions can seldom be disproved. When dividends begin to come in, the shares of the new mines will begin to fall into line with yields on established gold mines which have a long life ahead of them—always remembering that the South African gold taxation system contrives that a mine normally pays no tax and a high dividend in its early years and a smaller dividend when taxation begins. From such established mines investors are at the moment content with dividend yields in the range of 7 per cent to 8 per cent. British holders obtain the benefit of Dominion Tax Relief but the dividend makes no allowance for the amortisation of the wasting asset, and so contains an element of return of capital and may seem low enough.

Investors in the new mines—speculators if everyone who buys shares for a capital profit is a speculator—should remember that these holes in the ground in the Orange Free State are not cheap. In hard cash they are costing an estimated average of £13 million each to dig and equip. The market already puts a higher value on many of them. Excluding Jeannette, which is not quoted, the market capitalises the share and loan capital of the other 11 OFS mines at around £270 million, almost double the average actual cost per mine. Such high market capitalisations are not unusual in gold-mining; often share prices rocket before the first sod has been cut. If the atmosphere is right the market can rise further. The mining finance houses have certainly dealt well on the rising market and their share dealing profits can hardly fail to show an increase. The more cautious investor will tend to spread his risks by choosing a mining finance share in preference to an individual mine. He should also remember that a fair measure of success for the mines is already discounted.

Business Notes

The Buyers Return

BUYERS are back in the markets chasing their old favourites. Great Universal Stores 5s. units are over £5—a new peak. Orange Free State gold shares have been rallying strongly following the decision of the Anglo-American group to take an option in "Ofsits" at £4 a share. Anglo-Iranian Oil shares have been rallying strongly. The gilt-edged market seems to have recovered from last week's fit of indigestion and to be firming up. The *Financial Times* industrial share index reached a new record of 169.4 on Thursday, while the index of developing gold shares after touching a new peak of 130.32 on Wednesday lost only a small fraction on Thursday: the markets seem poised for one more leap forward. For the continuance of the Stock Exchange boom nothing better could have happened than the modest setback of last week. Had the advance continued without that check, the danger of a much more serious break would have become acute. A check that brings no major decline gives the jobbers the chance to adjust their books and the speculators to adjust their commitments; it makes a further advance before the end of the bull market much more likely.

In the present epoch of high taxes a long-drawn-out bull market subjects the London system of dealing through stock jobbers to a severe strain. The jobbers have had no opportunity since the war of adding substantially to their working capital, and therefore no opportunity of building up their books in the stocks in which they deal to match a market that is growing in popularity and in money turnover. It is only the gilt-edged section that can still boast really big jobbers capable of absorbing big quantities of stock without difficulty. To job "bear," that is to sell to the buying broker first and find the stock afterwards, together with pot-boiling operations such as buying "Gussies" for cash and reselling them for the new account, has become the precarious livelihood of many of the smaller industrial jobbers. It becomes difficult and dangerous in a market that is rising over a long period; technical reactions such as occurred last week reduce the danger.

Despite that reaction the demand from genuine investors still seems strong. This is naturally a period during which issuing houses and City institutions are pushing forward the re-financing operations that they have in prospect. The prompt success of the recent debenture issues by East African Power Company and by Bentley Engineering give encouragement, as does the active selling at rising prices this week of a large number of ordinary shares in F. Perkins coming partly from the original financiers of this company. It should be a good market, too, for the £10 million project which Vickers are planning. This will consist of an offer to ordinary shareholders of one new £1 share at 27s. 6d. for each eight held and a loan stock issue of £6 million 4 per cent stock at £98 10s.

Radio Breaks Fresh Ground

THE radio industry has two major innovations to show visitors to this year's Radio Show that opened in London this week: two-programme television receivers and the first VHF radio sets. For years now this very young industry has had to content itself with unspectacular if steady improvement on the domestic side that gave a misleading impression of middle-aged conventionality and made a poor showing beside the remarkable electronic developments in industrial and defence equipment. Now it faces what are probably the biggest changes in domestic radio since the start of television services. It is only within the past few months since the Independent Television Authority took solid shape and the BBC received permission to go ahead with its project for improved sound services in the VHF range that the industry could feel the future was sufficiently certain to push ahead with plans for breaking this fresh ground. The result is an exhibition that is in many ways the most rewarding since those held shortly after the war.

It is still possible to buy television receivers for BBC programmes only, but they are believed to make up only a quarter of the total on show, and they are not significantly cheaper than a comparable two-programme set. Most of the radio receivers designed for the VHF services have simply had a fourth wave-band added to the standard long, medium and short waves; there seemed to be some confusion about their actual selling prices in the opening days of the show. The purpose of introducing VHF broadcasting is to overcome the interference that is found in certain districts on the long and medium waves; this suggests that the new sets will have a restricted market. But the quality of transmission is believed to improve in these very high frequencies, and the astonishing resilience of radio sales, combined with the intense interest being shown in high-quality reproduction, may prove such impressions wrong. In 1952 production of radio sets had almost to be halved, from 2 million in 1951 to 1.2 million. The following year saw the start of a remarkable revival. Production went up from 67,000 sets in March, 1953, to 166,000 in March this year; last year's total output was 1.2 million, even lower than in 1952, but during the first half of this year output was running at an annual rate of 1.7 million.

The Widening Screen

TELEVISION production has not fluctuated as much as that of radio sets, but if its progress has been steady, it has not the same resources to fall back on as those of the more versatile radio receiver. 3-D and colour television are still the playthings of scientists and the advance of the domestic receiver has been in steadily widening the area of its screen. The 9-inch screen, which was the backbone of the postwar market, has gone for good. Its successor, the 12-inch screen—average price £56 with tax—accounts for less than a quarter of current output, 45 per cent of which is given over to 14-inch receivers costing about £66 each. The 17-inch screen, which was a novelty last year, accounts today for 22 per cent of the industry's output. As the big tubes come into quantity production, the prices of the big sets fall. At Christmas, a 17-inch set would have cost nearly £92. Now it costs a little over £86; in comparison, the price of the other sets has dropped only about £1 or so. The swing is expected to continue when today's novelty, the 21-inch screen, is put into quantity production.

While television production has been rising from 6,500 sets in 1946 to 1.1 million last year, the sets coming out of the factories have been showing a progressively higher unit cost because of this tendency to favour the ever-wider screen. This may have some bearing on the probable size of the industry's replacement demand for television receivers. Since the war it has produced 4 million television receivers, of which all but 15,000 must have been sold at home. The BBC's television services now cover 15 million households, 86 per cent of the population. Rather less than 23 per cent of these households have television licences; an unspecified number have sets but no licences. In London and the Midlands, where television is longest established, about 34 per cent of the households appear to have licences. It seems probable that saturation point for television sales lies somewhere between 30 and 40 per cent (to allow for non-licensed sets) of the number of households in an area.

What the industry does not know is how many owners of 9-inch and 12-inch sets can be persuaded to change to bigger models. The start of a second service in an area, with the prospect of spending £6 or more on an adapter for an existing set, may be sufficient to start off a replacement demand—it may also tap a new sector of the market. Television production has shown a greater seasonal decline this summer than last, when the Coronation boom mopped up dealers' stocks, and the unexpectedly modest prices being asked for two-programme sets is a sign that the industry is sharpening its competitive weapons.

Hire Purchase Set Free

WHEN, last month, the Board of Trade pulled down its structure of restrictions on hire purchase transactions it was obvious that the control over hire purchase as a whole was doomed. So it has turned out, even sooner than most people expected. The Treasury, too, has climbed down; the Capital Issues Committee has now been instructed to remove the rigid ban on issues for hire purchase finance and to deal with applications on their merits. The banks have been asked to apply similar principles in dealing with applications for advances. But the Treasury retreat is still covered by the Chancellor's warning that: "An increase in the volume of hire-purchase finance leading to an excessive expansion of consumer credit would not be in the national interest."

No tears need be shed over the passing of the detailed structure of hire purchase control. It sought to restrict the total volume of finance available for hire purchase and at the same time specifically to circumscribe the nature of hire purchase deals in a specified list of consumer goods in the hope that the limited amount of finance would thus be concentrated on capital goods. History contains few examples of people having been made to do something by



"Daddy, what is earth made of?"

That's mostly powdered rock he's playing with, you tell him—mixed with mould. It's the top of the earth called soil; in it are mineral salts, which help to feed the plants which in turn feed us.

Earth—the basic raw material. Sometimes scratched, even to-day, with Bronze Age tools, yielding a pitiable crop. Yet fertile, brimming over, where it is channelled for irrigation, ploughed, reaped, *husbanded* by power: diesel and electrical power, supplied all over the world by THE BRUSH GROUP LIMITED.

Supplied to the Sudan Gezira Board, for example, by J. & H. McLaren Ltd., a member company. Here 108 McLaren diesel engines have been cable-ploughing the land since 1927, the soil being too light for tractors. Over 600,000 acres now yield their crop of cotton and linseed; soon this same number of engines will extend the limits of fertility further still, to a total area of one million acres.

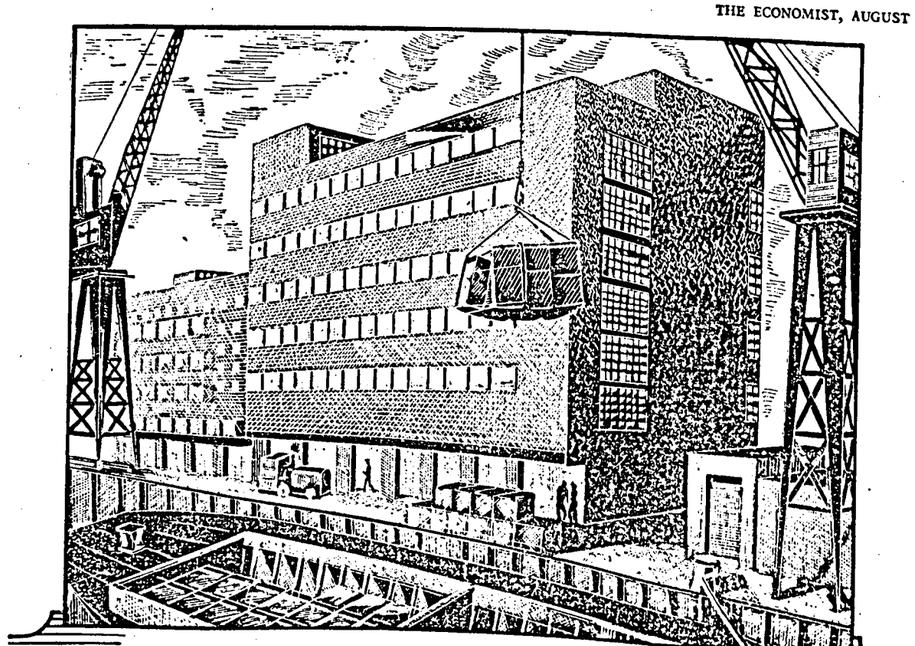
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It shall not burn

At last, nuclear knowledge brings to every warehouse, factory, office or other industrial building, a sure and certain means of fire prevention which is now available to all.

WHAT DOES IT DO?
Minerva instantly detects the first trace of smoke from any smouldering material.

HOW DOES IT WORK?
The activating source of the detector is a particle of radio-active material with a theoretical life of more than a thousand years. No current is consumed while the detector is on guard. The entry of smoke triggers the detector.

HOW IS IT INSTALLED?
Each detector is no larger than an electric light bulb and can be fitted as simply.
Only one is required in a room or for every 1,000 sq. ft. of floor area.

WHAT DOES IT COST?
Only the cost of the simple wiring—the detectors and signal equipment are hired to the user by the makers at a low annual fee which includes servicing and free replacements.

Minerva—protectress of ancient cities—guards the docks and warehouses of the world's great waterways. The system will be found in stores and warehouses in London, Brussels, Hamburg, Hanover, Zurich, Stuttgart, Bordeaux, Lille, Toulouse and Gothenburg.



TE CUSTOS URBIS
MINERVA

MINERVA

FIRE DETECTION SYSTEM

Manufactured by The Minerva Detector Company Ltd., Richmond, Surrey, England

an injunction to other people not to do something else, and this was not one of them; the restrictions on the consumer goods had been broken as a result of legal decisions and the restriction on the total volume of hire purchase money was growing despite the control because the Capital Issues Committee is not a complete stopper on new finance. It governs neither the under £50,000 company nor the private deposit with the hire purchase finance company.

HIRE PURCHASE SHARES RISE

	Aug. 25, 1953	July 26, 1954	Aug. 18, 1954	Aug. 25, 1954
Utd. Dominions Trust (£1)	75/-	127/6	135/-*	155/-
Mercantile Credit (£1)	48/-	87/6	97/6	105/-
Olds Discount (5/-)	17/-*	17/6a	21/9*	22/6
Bowmaker (5/-)	9/-	23/-	28/-	27/6
Gt. Universal Stores (5/-)	37/-*	83/6	98/-	100/-

* Ex dividend. (a) After 50 per cent scrip issue.

Shares of the hire purchase finance houses and of some of the retail companies doing hire purchase business have risen sharply. It is still pertinent to ask "What may happen now?" As *The Economist* goes to press United Dominions Trust still has not had an answer from the Capital Issues Committee on its application for a capital increase that was lodged on July 20. Surely the answer must be "Yes." But no test has yet been made of how the clearing banks will interpret the new injunction. In the last two years they have restricted their advances for hire purchase finance to 90 per cent of what they were before the 1951 restrictions. It seems certain that that 10 per cent cut at least must be withdrawn.

Then the established finance houses will compete more effectively with the host of new finance companies that has recently sprung up with less than £50,000 capital, and the small new financiers will tend to be squeezed—not necessarily out of business, but into the more risky channels of financing where there is no recourse against the retailer who sold the goods. The more comfortable block financing, with the trader as a party to the deal, may tend to become the preserve of the established finance company now armed with more resources. Will charges to the customer fall as competition in financing grows? Not necessarily: high though they seem, the charges for hire purchase finance contains more administration and collecting costs than pure interest, and among the small companies it is going to be the company with the good collecting service and strong local connections that survives.

Bullion Prices Rise

A NOTABLE trend during the past week or so has been the strength of London bullion prices. The price of gold in the London market has risen to over 249s. 8d., the highest level reached since the market was reopened last March; the price for silver has strengthened from 72d. at the beginning of the month and 72¾d. a week ago, to 73¾d. To some extent each of these movements is simply a reflection of the weakening of sterling against the dollar, a movement that has become more pronounced this week under the impact of considerable seasonal demands for dollars, particularly for payments for oil and sugar. By the close of business on Wednesday, the sterling rate had reached $2.80¾, its lowest since early this year. The rise in the sterling price of gold has, in fact, just about kept pace with the fall in the sterling-dollar rate, as can be seen from the fact that the free market price for gold in terms of dollars has during the past week remained steady at around $35.04. There have, however, been some special factors affecting each of these sections of the bullion market. The hoarding demand for gold from France has died down completely. The main purchases of free market gold have come from Hong Kong and the Middle East, where the demand of the metal may have been stimulated by the war of words concerning Formosa. Some European central banks have also appeared as buyers in the London market from time to time.

The substantial recovery in the price of silver from the low level of 72d. that obtained during the last ten days of July is mainly accounted for by the successful absorption of substantial amounts of Russian silver that had found its way to this market. Some of this silver was sold direct in London by the Russian authorities, but a certain amount of it represented barter silver resold here by dealers on the Continent. Some Continental countries have been offering merchandise to Russia for barter against silver, and as the Russian buyers have been prepared to pay a premium over the world price for such commodities (some of which may have come close to the strategic list of prohibited articles) the sellers who acquired silver in exchange were prepared to offer it in the London market at the relatively low price of 72d. That cheap silver has now been absorbed and the price has recovered to a point very close to the import parity with New York, where silver is quoted at 85¼ cents.

New Peaks in Tea Prices

UNLIKE coffee and cocoa, which are still below their peaks, tea prices are setting fresh records every week. At the London auctions this week clean common tea rose by another 1d. a lb to 4s. 10¾d. a lb, and medium and better qualities were 1d. to 3d. a lb dearer. The persistent shortage is the reason for the advance, and with the seasonal improvement in the quality of teas arriving in London next month, prices are likely to rise still higher. Best liquoring Assam broken pekoe, for example, which is now quoted at 5s. 6d. a lb, is still 6d. below the equivalent of the Calcutta price. The prospect of any reaction in prices looks remote. The increase of some 30 million lb in the total crop in the main producing countries in the first half of this year appears to be barely sufficient to meet the growth in world consumption. A similar increase in the second half of the year might just tip the market in the buyers' favour, but the crop outlook in North India, the largest producing area, is hardly encouraging.

The hopes of British tea blenders for an easing of prices this month have been dashed, and the most extravagant dreams of the tea producers have come true. Revenues this season must be even better than last year's, and though

costs are rising, for fewer companies are in debt to their banks. Prices of tea shares have moved a little higher in recent weeks, but whether that rise has fully discounted the present prosperity may perhaps be open to doubt.

The Viscount's Tally

SIGNED orders for the Vickers Viscount reached a total of 153 this week, with about 50 additional machines under negotiation. Trans-Canadian Airlines, which ordered 15 Viscounts last year, intends buying a further 7, bringing its total to 22, and Airwork Ltd., a few days earlier, had signed an order for 3 Viscounts. The value of the 153 aircraft and their spares is put at £44 million, nearly three-quarters of which represents aircraft for export. These are substantial sums and it is not surprising that Air Finance Ltd., the company formed last autumn to provide credit for aircraft buyers, should have played some part in the financing of the biggest order so far received. This is for 40 Viscounts (with an option of 20 more) for the American Capital Airlines. The 60 aircraft will cost Capital $67 million; the initial order for 40 will amount to $45 million, and this sum would under normal conditions have to be found by the time of the delivery of the last aircraft, in August, 1956.

This is the first time that Air Finance has provided credit for the purchase of Viscounts, although not the first occasion on which it has facilitated an aircraft sale. It was expected last year that Air Finance would ordinarily provide credit for 40 per cent of the value of the sale, and would expect manufacturers to ask for the balance of 60 per cent to be paid on or before delivery of the aircraft. Payment was to be made within three years. On such a basis, Air Finance might be expected to provide some $18 million credit for Capital's purchase.

Fresh Boost for Lead and Zinc

PRICES of lead and zinc jumped sharply in London this week following the announcement that the United States will not raise the tariffs on these metals, but will instead assist the domestic industry by increasing purchases for the strategic stock. Foreign producers will be thankful for President Eisenhower's view that the higher tariffs recommended by the Tariff Commission would confer only a marginal benefit on domestic prices—at the expense of American consumers—and be of doubtful help in reopening domestic mines. The President's decision follows the recommendations of the Randall Commission, which said that if it was necessary on solely military grounds to assure a strictly domestic source of raw materials, this should be accomplished by means other than tariffs or import restrictions, and the cost borne in the defence budget. It would have been cheaper for the Administration to grant direct subsidies to the highest-cost producers, instead of buying more lead and zinc from the domestic industry as a whole. But this would have been politically unpalatable; and as the expanded stockpiling programme of last March was partly designed to assist domestic producers, it was logical simply to accelerate these purchases.

The President stated that in the fiscal year ending next June, the government "could buy" up to 200,000 tons of lead and up to 300,000 tons of zinc. Recently it has bought about 8,000 tons of lead a month and about 15,000 tons of zinc, at the market price. The intention is to raise prices to a level that will encourage mines to go back into production and so maintain an "adequate domestic mobilisation base." The government may not need to buy the maximum quantities to bring this about. Producers' stocks, even of zinc, are not unduly large in terms of American consumption, and there should soon be a seasonal improvement in demand. The announcement contained two piquant passages. The Secretary of State is directed to seek recognition by the principal foreign suppliers of lead and zinc that, in this instance, charity begins at home, and that they "will not themselves seek to take any unfair advantage" of the programme. At the same time the Secretary of Agriculture is directed to offer to buy lead and zinc for the stockpile from foreign countries, if they will agree to take some surplus farm commodities off his hands in return. Although the American action will support world prices of these metals, the volume of raw materials being acquired by the stockpile is disturbing, however remote the danger of their release to the market may be at present. Nor can foreign countries unreservedly welcome the increasing American interference with world markets.

Fall in Export Prices

AGAINST a broad picture of buoyancy in British exports must be set one small cloud, as yet of little consequence. It is the fall last month of one point in the prices which British exports command. This, coupled with stability of import prices, moved the terms of trade another point against this country, to 101 (1953 = 100). The cause of this adverse movement was the opposite of that in April and June. In those months import prices rose, while export prices remained steady. The fall in export prices last month was the first change in the export price index since last November. It reflected a fall of two points to 93 in the export price index of metals, a fall of one point to 102 in textiles, and of one point to 97 in "other manufactures." Prices of metals have been falling, with one interruption, since February, and the fall in prices of "other manufactures" was the third in succession. These declines were only partly offset by a rise of one point to 100 in prices of engineering products, which have been almost steady for nearly a year. Among imported goods, the basic materials index rose by two points in July to 100, owing mainly to higher prices of rubber and raw wool, but this was offset by a fall of one point in the index of fuels.

The picture of British exports last month was nevertheless encouraging. Compared with the average of the second quarter of this year, the total of £246.9 million fob was 10 per cent higher and matched the increase in the working month. Exports of engineering goods were 11 per cent higher at £95 million, and exports of "other manufactures" were 12 per cent higher at £46 million. Exports of textiles rose by only 7 per cent to £29 million, but a large increase of 17 per cent to £33.5 million occurred in exports of metals. Within these broad categories the rise was somewhat patchy. Exports of electric machinery maintained the average increase with a rise of 11 per cent over the second quarter, to nearly £16 million, but exports of machinery, other than electric, showed a less than average rise of 7 per cent to £31.6 million. Shipments of iron and steel rose by nearly 14 per cent to more than £13 million. The relative fall in exports of cotton and rayon goods was partly offset by an increase of about 11 per cent in exports of woollen goods and other textiles. Among "other manufactures," shipments of clothing and footwear were 40 per cent higher at £4.4 million. Exports of chemicals, however, the largest item in this group, showed no more than the average increase of about 10 per cent to £18.8 million.

IMPORT AND EXPORT PRICES
(1953=100)

	Imports				
	Total	Food Beverages and Tobacco	Basic Materials	Fuels	Manufactured Goods
1953 July	100	101	100	91	100
Dec.	98	99	99	94	96
1954 Jan.	98	99	98	93	95
Feb.	97	99	97	93	94
March	96	99	96	93	94
April	98	101	96	93	94
May	98	102	97	93	94
June	99	102	98	94	94
July	99	102	100	93	94

	Exports				
	Total	Metals	Engineering Products	Textiles (excluding Clothing)	Terms of Trade
1953 July	100	100	100	98	100
Dec.	99	97	99	101	99
1954 Jan.	99	95	100	101	99
Feb.	99	97	100	102	98
March	99	96	99	101	97
April	99	95	99	103	99
May	99	94	100	103	99
June	99	95	99	103	100
July	98	93	100	102	101

The ratio of import prices to export prices. A rise indicates an adverse movement.

The Mines Lose Men

ONE new disquieting element in the present disappointing record of the British coal industry has been a rather sharp decline in mining manpower in the last two and a half months. On August 14th there were 706,100 workers on colliery books, of whom 289,900 were face workers. This total was 200 men better than the week before; but it was about 4,000 fewer than at the end of May, some 3,000 fewer than at the beginning of this year, and about 14,500 less than at the end of June last year—when the figure was nearly 721,000, the peak of recovery in manpower attained by the industry following the serious decline experienced in 1949-50. Until June this year total manpower was rising slightly, and the number of men working at the face remained about the same; so the recent decline, which has occurred largely during the holiday season, can hardly be taken as a good excuse for the industry's failures in production this year. But its significance will be felt more heavily during the autumn, if the decline continues; and this development during a period of chockfull employment in the economy as a whole, is reviving dormant worries in the industry's headquarters.

The interrupted decline since last summer has, in fact, been the main factor in limiting the rise in 1954 coal output over output in 1953, though the miners' leaders and the Coal Board, when they agreed that five million tons extra this year would be a reasonable aim, were taking most of this decline into account. Productivity throughout the industry and at the coal face has improved slightly over last year; absenteeism is lower, and the average number of shifts worked has thus increased. The men actually employed in the industry, therefore, are not working less than last year, though the increases in productivity are hardly as yet very significant returns upon the amount of investment that continues to be ploughed into the industry. That investment, certainly, takes more men away from producing coal at the face to cutting roadways and new faces elsewhere; and the growing proportion of coal cut by machine puts up the tonnage of dirt the miners have to move. But those factors were already assumed when the industry formulated those intentions for 1954 that it is not fulfilling.

Long-Staple Contract for Liverpool

ON the eve of the withdrawal of the Raw Cotton Commission's cover scheme on August 31st, the Liverpool Cotton Association has revealed that it has now drafted the framework of a futures contract for long-staple (Egyptian type) cotton. Since futures trading began in Liverpool last May, the only hedge available to spinners has been the strictly American contract, because no other type was practicable. It is not a full hedge for American-type cotton grown outside the United States, and it is of much less value to spinners of Egyptian-type cotton. Lancashire has not been at a disadvantage in this respect compared with its competitors, for no other country has facilities for hedging long-staple cotton. And after the Alexandria market was closed late in 1952, the cover offered by the Raw Cotton Commission had to be based wholly on the New York market.

But the absence of the facilities enjoyed before the war has been keenly felt in Lancashire, and the Liverpool Cotton Association intended to introduce a long-staple contract as soon as this was practicable. It is now hoped to do so in the spring, and that a similar contract will be

introduced simultaneously in Alexandria. The contract will shortly be sent to the various interests in Egypt, who have been kept in touch with the proposals, and a delegation from the Association will go to Egypt in October for further discussions. Reopening of the Alexandria market, though desirable, is not essential to the introduction of the contract in Liverpool. But Lancashire would probably be well advised not to press the matter, at least until Egyptian traders are allowed to deal in the Liverpool market.

An Aircraft Bottleneck?

THE Ministry of Supply gave last week its first public demonstration of the test work done by its experimental establishment at Boscombe Downs and—intentionally or not—put a spotlight on one of the possible reasons behind the persistent delays in delivering some of the new military aircraft to the services. The British aircraft industry has demonstrated beyond doubt that it can design aircraft that will stand comparison with the best that any of its competitors can produce, and it has also given proof that it can put them into production and build up to a rate of output as high if not higher than that of any American factory. The bottleneck in deliveries—which, significantly, has not occurred in civil aircraft—comes during the testing period after the prototype has flown and before the machine is cleared for squadron service.

Flight testing is carried out in two distinct stages. The first is handled by the manufacturer, whose test pilots fly the prototype aircraft and report on their handling and performance to their own engineers and design staff. The second begins when the first machine is delivered to the Ministry of Supply at Boscombe Downs. This second stage is intended to test the aircraft as a military machine; the test pilots handle the aircraft as it would be flown in service. It is here that armament trials begin, no bombing or firing tests are carried out before this. It might be expected that the Ministry's test pilots would merely be duplicating and cross-checking the work already done by their civilian counterparts at the aircraft factories, but it is becoming increasingly plain that they are not. Rather they appear to be testing qualities in performance not previously covered in the manufacturers' own trials. As a result defects in the machine's development that should and ought to have been detected and corrected earlier are coming to light only at this relatively late stage.

It does not appear that the manufacturers' own test policy is necessarily at fault here. They are severely handicapped in, for example, fighter development, by the arrangement that leaves all firing trials to Ministry pilots after the civil pilot has finished his work. It is during the actual firing of modern high-speed cannon like the new 30-millimetre Aden that some of the most serious handling defects have come to light. It is possible that the new system of ordering a small batch of prototypes for simultaneous testing in place of the usual two—as, for example, the 20 supersonic P.1s recently ordered—will make it possible to eliminate the bottleneck that this division of responsibilty appears to create.

Prospects for Diesel Locomotives

IT was in 1950, the best year ever for the American diesel locomotive industry, that a British team visited the industry and prepared a productivity report that recommended the adoption of certain American practices by British manufacturers. The team was careful to emphasise the immense difference between the circumstances of the two industries—one with a huge home market based upon the "diesel revolution" through which the American railways were passing, the other with no market for main-line diesels at all and little home demand even for smaller industrial locomotives.

Since 1950 demand for diesel locomotives in the United States has fallen—calamitously for their builders, from some 4,000 a year to about 750 a year—with the partial completion of that diesel revolution, and the manufacturers are now dependent to a considerable extent upon replacement and modernisation of the existing locomotives. The situation of the British industry has not changed significantly. The British railways are building 573 diesel shunting locomotives and are still experimenting with half a dozen main-line locomotives. But British railway engineers are still committed to a preference for main-line electrification, when the time for a shift in motive power does come. Moreover, even if the railways began to shift to diesels, this would not necessarily assist the private locomotive builders. The railway workshops would probably build the locomotives themselves, buying only the diesel engines and electrical equipment from outside, as they are now building the shunting locomotives.

The British manufacturer's main market, therefore, must remain overseas—where American competition, perhaps, may become more determined. In such markets the advantages of standardisation that the Americans have enjoyed at home hardly exist, and it seems doubtful whether even their highly efficient methods of manufacture, of custom-built equipment, could offset the difference in labour cost that arises from wages at a level three times the European. But other competitors—notably Germany and Switzerland—suffer from no such disadvantages in tendering against Britain.

Hungary's Next Move

BRITAIN has made a trade agreement with Hungary, but has not yet got to grips on a debt agreement. Markets will be opened for Hungarian exports of £5.5 million—foodstuffs, bristles and a few manufactured goods—while Britain hopes to send Hungary £5 million of exports—textiles, vehicles, tin plate, pharmaceuticals and electrical machinery. To some of the holders of Hungarian bonds, which have been in complete default since 1942, it looked like a sign of weakness, and there was a little selling of Hungarian bonds early this week, prices coming down from around £21 on the 7½ per cents to about £20½. Certainly there would be no occasion for weakness. Hungary has a poor record as a debtor. And certainly the British Government has shown in the past that it knows how to

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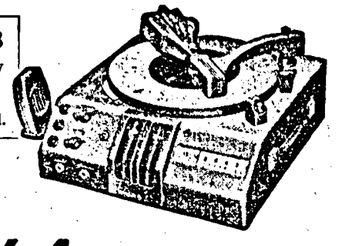
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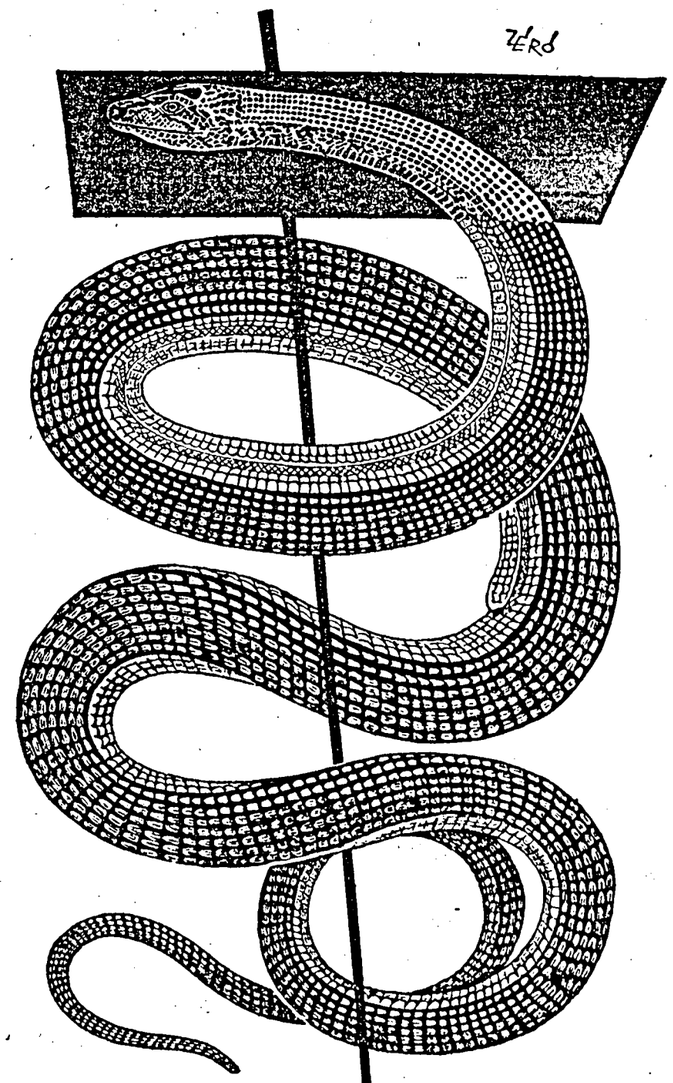
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harvests and health

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 Æsculapius has,
since classical times, been a symbol of healing.

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and medicine to care for his health . . .

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has been the main business of Fisons
for a hundred years and more,
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of chemical fertilizers began.
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take a strong line with Hungary. It broke off its long drawn financial negotiations in 1949 when Mr Edgar Sanders was imprisoned and only resumed them after his release last year.

But is the present agreement weakness? Before Hungary can be expected to start paying its debt it must be given an opportunity to earn some sterling. The opportunity has been given to earn a modest surplus of £½ million in the twelve months ending next August—an optimistic hope, perhaps, but still a chance for Hungary to turn an existing trade deficit into a surplus. And the agreement is for one year only. Hungary has undertaken to start negotiations about all claims—the bonded debt, commercial debts, nationalisation and expropriation of property—before September 1, 1955. If Hungary values the trade agreement it provides an incentive for a settlement.

The bondholders need not feel that they have been forgotten. Nor need they pitch their hopes high. There is between £20 and £30 million of sterling bonded debt, and no one yet knows what turn the negotiations will eventually take. If the British view prevails, Hungary will eventually be persuaded to make parallel offers to all her bondholders, both of the sterling and the dollar issues irrespective of whether the bonds are at present in British or foreign ownership. There is also the sum of about £600,000 in the hands of the Administrator of Hungarian property. The distribution of that is the British Government's affair. Bondholders will get the bulk of it in the form of an ex gratia payment, and it is likely that the principles that governed the German debt settlement will again be followed, i.e. "British resident" bondholders, whether of the sterling or the dollar bonds, should participate. The amount of these loans in British hands is still a matter of guesswork, but the market believes that most of the sterling issues are held in this country and is only banking on £2 to £3 per £100 on the 7½ per cent issue which has been given the maximum weighting of 1.25 in the Treasury list. Bonds of that loan with a certificate of British ownership change hands at over £20 and without it at a mere £5 to £6 per £100 stock. The price difference is far greater than the expected amount of the ex gratia payment and reflects the narrow market in bonds without declaration of British ownership.

BMC's Gas Turbine

THE Austin Motor Company's laboratories have been working on gas turbine designs for more than five years. This week it was announced that a 125 bhp gas turbine unit with a heat exchanger has been run successfully in a Sheerline chassis. Even with a heat exchanger, fuel consumption appears to be significantly higher than in a petrol engine of similar power, but the company has found the results encouraging enough to go on with the experiment. The Ministry of Supply's interest in the development of small gas turbines has given the motor industry financial backing to persist in a line of research that has so far not proved any too profitable. The Ministry some years ago gave development contracts for a number of low-powered engines, Austin's among them, partly to stimulate research and partly in the hope that a useful military power unit might emerge from the experiments.

The earliest designs for motors were, in effect, scaled-down aircraft turbines, and it was inevitable that fuel consumption under part-load—and no road vehicle runs at full power—should be extravagantly high. More recently, there have been signs that the industry was branching away from the classic turbine with its 100 or so blades fitted round a turbine disc, and was experimenting with newer forms that gave better part-load performance. Austin is known to have considered these newer designs of turbine, but has probably not gone far enough to have used one in the present engine.

Private Coal Mining

THE small mine in Lanarkshire that the National Coal Board has recently taken over from a private operator after a protracted labour dispute there is one of about 360 mines that are still operated, under licence, by private concerns. Nationalisation gave the board title to all the coal measures under Britain and to the 1,400-odd mines then producing coal. But it has never worked more than about a thousand of these itself, and it is now working roughly 880. About 200 pits have been closed. The remainder are worked under licence from the board by the companies that were operating (and in many cases owning) them before nationalisation. They produce roughly 2 million tons of coal a year, less than one per cent of the industry's total output; in terms of physical productivity, they produce it quite efficiently.

The criterion for licensing a mine is that it should have not more than "30 or so" men working underground. The latest official count published, for September, 1952, put total employment in these mines as 5,470, including about 5,200 wage earners, plus 380 working proprietors; today total employment is guessed as more than 6,000. Not all of the mines licensed are primarily coal mines; some are mainly concerned with working materials such as fireclay but take out coal as well. Output per manshift in the small mines is comparatively good—many of them are shallow workings that require much less elaborate equipment and organisation than the type of mines the Coal Board operates itself.

Under the present licences, the longest of which run until about 1960, the mine operator hands the coal over to the board for marketing, receiving the proceeds less a selling fee and a royalty in respect of the coal and the mine. Until 1950 the board in effect operated a small-scale Coal Charges Account for these little mines, making payments to some in the Northern and South-Western Divisions from the total royalties that it received from all the others, but those arrangements have now been incorporated into the particular terms of contract for each mine, while some of the highest-cost mines have been closed. The only trace of this 2 million tons of coal that now appears in the Coal Board's accounts is an item "Royalties receivable less payable"; last year the net royalties amounted to about £20,000. One clause in the licences, however, generally makes all agreements signed between the board and the trades unions with which it negotiates binding on the small mine operators; and it was in respect of a labour dispute over which no settlement appeared likely to be reached that the board decided to take over the mine in Scotland.

SHORTER NOTES

The directors of Jones and Higgins, the drapers and furnishers, have circularised the company's shareholders advising against acceptance of the offer from Great Universal Stores of £4 10s. for their shares. In the opinion of the board of Jones and Higgins the asset value attributable to the company's £1 shares is more than £6 per share.

★

A fall in income is disclosed by Telephone Properties as a result of the sale of the company's principal asset in Venezuela. Net profits after tax were down from £60,964 in 1952 to £35,252 in 1953, but the dividend is comfortably maintained at 8 per cent. Plans are to be announced whereby the shareholders will have the choice either to exchange the greater part of their stock into shares of a new realisation company or to retain the whole of their interests in the present company.

Alexanders Discount company announces proposals to make a one-for-one free scrip issue and at the same time to remove the company's uncalled capital liability. It is intended first to write down the 1,200,000 ordinary shares of £2 each with £1 paid up into the same number of £1 ordinary shares fully paid and then to make a 100 per cent free scrip issue in fully paid £1 ordinary shares. The company, which increased its dividend last year from 17½ per cent to 20 per cent, emphasises that the capitalisation of reserves does not indicate any increase in the amount to be distributed this year.

The Pakistan government's attempts to support raw jute prices by acreage control, and latterly by introducing minimum prices and even crop destruction, have now been aided by nature, though in a particularly tragic way. Severe floods in East Pakistan have inflicted considerable damage on the crop, and in the last two weeks the price of Firsts has risen by about £8 to £88 a ton, cif UK.

Company Notes

BRITISH MATCH CORPORATION. This company, holding a dominant position in the match manufacturing industry in this country, came under scrutiny by the Monopolies Commission and following the Commission's report in May of last year, a new trading agreement between the Corporation and the Swedish Match Company was negotiated to remove as far as practicable the stigma of monopoly from the company's set up. So far, so good; the recommendations of the Commission had been accepted, public concern at the existence of monopoly presumably allayed, and the present accounts do not indicate that the Corporation has as yet suffered in the process. It seems a pity that the chairman cannot leave the matter without this ungenerous comment: "During the five years since the industry was first referred to the Commission, much time and effort of many of your chief executives has had to be diverted from constructive work in your company's business to dealings with the requirements of the Monopolies Commission. It has been a heavy and costly burden both in time and in money."

	Years to March 31,	
	1953	1954
Consolidated earnings :—	£	£
Trading profit	2,136,324	2,316,656
Total income	2,316,744	2,464,410
Depreciation	320,786	371,352
Taxation	1,080,485	1,093,227
Net profit	543,283	584,801
Preference dividends	15,460	15,881
Ordinary dividends	302,414	306,281
Ordinary dividends (per cent)	9	9
Capital reserves	87,613	229,794
Added to group carry forward	28,908	65,352
Cons. balance sheet :—		
Fixed assets, *less* depreciation	3,805,219	3,765,834
Net current assets	8,539,380	8,277,142
Stocks	5,708,128	4,802,726
Cash	1,292,131	1,433,748
Bank loans	427,556	362,992
Reserves	6,157,803	6,250,572
Ordinary capital	6,187,500	6,187,500

£1 ordinary stock at 31s. 0d. yields £5 16s. 2d. per cent.

Shareholders may well feel reasonably satisfied notwithstanding. The trading profit for the year ended March 31st (which covers the operating companies for the calendar year 1953) shows a rise from £2.1 million to £2.3 million in trading profits. The net profit is up from £543,000 to £585,000. The total distribution of 9 per cent is maintained with an improved margin. The bulk of the increased earnings, Lord Kindersley reports, come from the overseas companies. Home sales increased slightly last year but have suffered a reduction this year. In future shareholders are to receive their interim dividend in mid-December which is about one month later than at present and the amount of it is to be increased if profits permit, with a corresponding reduction in the final payment.

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OCEAN COAL AND WILSONS. For years after the nationalisation of the coal mines in 1947 colliery shares were a happy hunting ground for the surtax payer; many of the companies were destined for liquidation and acute investors could find shares likely to break up above their market prices and snap their fingers at the tax collector. Those days are over; the attractive break-ups have been broken up to a point where the final result is often closely foreseen. But there is still an interest in those companies which intend to continue in business and yet have some surplus assets available to distribute. Ocean Coal and Wilsons is in that class: it is a continuing company without option, for its subsidiary, Wilsons Sons and Company, is deeply—far too deeply—entrenched in the stickiest of South American markets, Brazil. But over the last two years the company has been limiting its continuing business so that all the proceeds of the South Wales coal interests come back to the shareholders as cash. The 4s. units which at one time fell to 2s., received 1s. 6d. per share from the coal compensation and now in the form of 2s. 6d. units they command a market price of around 2s. 1½d.

In his speech this year, Mr Stacpole, the chairman, shows that the results of the South Wales compensation are calculable within fairly close limits at a doubtful further £400,000, in addition to the £2,698,560 which the company has already received on account. That and the sums which the parent has received from Wilsons Sons and Company in reduction of its debt from £1.7 million to £900,000, justify the chairman in announcing a further capital repayment of 1s. per stock unit. The board hopes eventually that the subsidiary will pay off or reduce its remaining £900,000 advances from the parent. They will then make a further capital repayment, unlikely to exceed 6d. per unit. In the indefinite future, therefore, stockholders can look forward to 1s. 6d. in cash and their units will be reduced to 1s. nominal against which the only important asset would be 2s. nominal of capital in Wilsons Sons and Company, coal and general merchants.

The market price of 2s. 1½d. thus puts a value of 7½d. on 2s. nominal in Wilsons. It may seem a fair speculation. But the chairman offers a stern warning against

optimistic arithmetic. The turn round in the company's fortunes in Brazil has been rapid and Mr Stacpole has no illusions that recovery can continue at the same rate. He does not add, though he might, that the buyer is making himself a bull of the cruzeiro. In 1951 the subsidiary's Brazilian assets were blocked at the controlled rate of 52 to the £. At the end of 1952 they were brought in at the free rate of 120 to the £. It had fallen to 150 to the £ at the end of 1953. Now it is nearer 180 to the £. Where will the process end?

★

"OFSIT." A further plan for rearranging and extending the flow of finance into the goldfields of the Orange Free State comes in a reorganisation of the relationship between Orange Free State Investment Trust ("OFSIT"), Anglo American Corporation of South Africa and De Beers Investment Trust. The plan will, it is hoped, provide OFSIT with sufficient cash and loan facilities for it to be able in the next two or three years to extend its investments in the Orange Free State by the exercise of the rights that will accrue to it.

The plan provides:

(1) Anglo American and De Beers Investment will exercise their right to subscribe for 1 million 10s. shares in OFSIT at 60s. per share (against a market price of 76s. 9d.); the proceeds will be used to repay the 3 per cent £3 million loan from Anglo American and De Beers Investment.

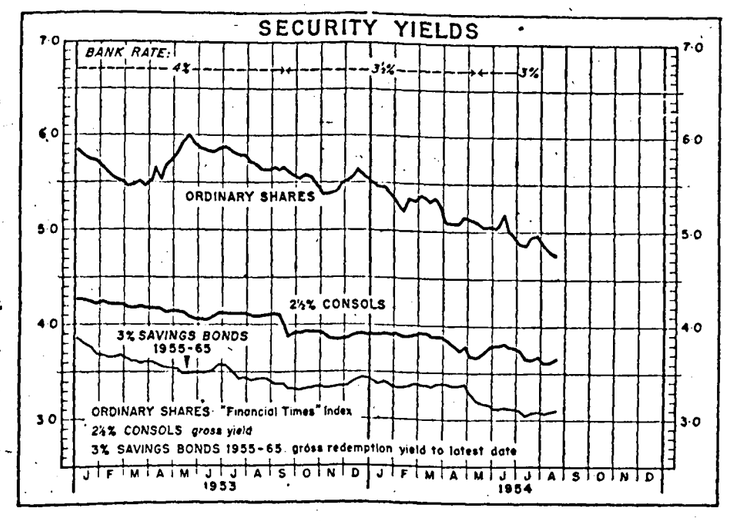
(2) Anglo American and De Beers Investment will take over at par OFSIT's loan of £832,500 to Free State Geduld Mines; part of the cash will be used to repay the £135,000 drawn against OFSIT's £750,000 6 per cent loan facilities from Anglo American and the balance of those facilities will be cancelled.

(3) Anglo American and De Beers Investment also grant OFSIT new loan facilities for £2½ million at 6 per cent. These are coupled with an option up to December 31, 1957, to subscribe for 625,000 ordinary shares of OFSIT at 80s. per share. The proceeds of such subscriptions to be applied in repayment of the loan.

The net effect of these arrangements is that Orange Free State Investment Trust sees its cash holding increased by £697,500 and its loan facilities by £1,885,000, with the added encouragement that its powerful associate, Anglo American, has taken an option at 80s.

★

TOOTAL. No true recovery in profits by Tootal, the vertical cotton combine, seems to have occurred in the year ended June 30th, for the chairman, Mr A. V. Symons, confirms that the net profit of £713,000 compared with £541,000, contains a sum of £207,000 (against nil) received under a guarantee relating to the losses of the subsidiary companies in earlier years. Nevertheless a sharp recovery in business if not yet in earnings has taken place. The chairman reports that early in the company's financial year it was realised that production would be insufficient to keep abreast of the demand and that a deliberate policy of rationing to all markets was adopted and weighted in favour of the export markets. Occasion has also been taken to build up the group's stocks again. These stood on June 30th at £4.4 million compared with £3 million a year earlier. At the new level of stocks Mr Symons believes the group will be able to give "proper service on our products." With full production now running at the new mill in St. Helens the output of cloth from the group's weaving units was more than double the previous years. He hopes in the coming year to be able to provide the company's products when and where they are wanted and looks forward to a busy and active year.



LONDON STOCK EXCHANGE

Next Account begins : September 8th
Next Contango Day : September 8th
Next Settlement Day : August 31st

AFTER a week of sagging prices in nearly all sections of the Stock Exchange, a sharp turn came with the opening of the new account on Wednesday. A brisk rally then restored part of the week's losses in gilt-edged, the whole of it in home industrials and more than the whole of the setback in gold shares. The rally continued on Thursday. Gilt-edged are slightly down on balance over the week, but Old Consols at 68⅛ show no change, War Loan 3½ per cent at 90½ is down by ⅛. The longest dated of the transport stocks, the 3 per cent 78/88, which was in surplus a week ago, now stands at 90⅞, a net fall of only ½.

In the foreign bond market moderate buying for the bonds of the "Iron Curtain" countries developed, Chinese issues rose appreciably. There was bidding for the 4½ per cent Polish issue which rose 2 points to 27.

When the change in tone occurred, the big rises in the industrial market were again concentrated on those shares, particularly of the stores group, which had been active before. Great Universal Stores reached £5 on Wednesday. They and some other shares of the stores group were affected by the withdrawal on restrictions on hire purchase finance. In an active market Canadian and English Stores preferred advanced 3s. 9d. on balance to close at 37s. 3d. and New Day Furnishing, on take-over rumours, which have since been denied, rose 10½d. to 26s. 1½d.

Strong features developed in the motor and aircraft groups. Roots 4s. ordinary units were in strong demand.

In the oil group, a recovery started in Anglo-Iranian which rose ½ to 15⅝ on Wednesday.

Demand for the OFS shares on Wednesday was sharp. President Brand rose 1s. 3d. to 76s. 10½d., President Steyn rose by the same amount to 39s. 6d., while Free State Geduld rose 5s. to £5 18s. 4½d. In response to the strong tea auctions, tea shares improved slightly, but the market was not active. Rubbers were neglected.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
			%	%
Aug. 18...	166·2	116·57	3·65	4·76
„ 19...	165·4	116·43	3·68	4·79
„ 20...	166·0	116·58	3·65	4·77
„ 23...	165·8	116·55	3·66	4·78
„ 24...	165·9	116·61	3·66	4·77
„ 25...	167·3	116·42	3·65	4·73
1954, High.	167·7 (Aug. 13)	116·68 (Aug. 11)	Total bargains 1954 Aug. 18	11,518
„ Low..	131·1 (Jan. 1)	111·78 (Jan. 5)	„ 19	10,780
			„ 20	9,723
1953, High.	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 23	12,268
			„ 24	12,264
„ Low..	113·9 (May 20)	105·68 (Jan. 5)	„ 25	11,908

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Aug. 25 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Aug. 18, 1954	Price, Aug. 25, 1954	Net Yield, Aug. 25, 1954 § £ s. d.	Gross Yield, Aug. 25, 1954 £ s. d.
100⅜	99⅞	Exchequer 2½% 1955	100⅜	100⅛	0 12 6	1 13 11
105⅛	101⅛	Exchequer 3% 1960	105•	104⅛•	0 14 10	2 1 0
104⅛	99⅛	Exchequer 3% '62-63	104⅛	104⅜	1 3 4	2 10 5
100 7/32	99⅛	Serial Funding 1¾% 1954	100 0/5	100 0/4	...	1 12 8
100⅛	99⅛	S. Fdg. 1¾% 1954 Ass. Exc.	100	100 1/32	1 7 9	2 10 8
101⅜	99⅛	Serial Funding 2½% 1957	101 3/32	101 3/32	0 13 8	1 15 6
101⅛	100⅛	Serial Funding 3% 1955	101 3/32	101 3/32	0 2 4	1 15 3
101 3/32	100	War Bonds 2½% '54-56	101	100 31/32	0 17 9	2 0 6
101⅛	100 3/32	Funding 2½% '52-57	100 31/32	100 31/32	1 4 7	2 11 0
102⅛	101⅛	War Loan 3% '55-59	102⅛	102⅛	1 6 4	2 15 2
100⅛	95⅛	Savings Bonds 3% '55-65	99	99⅛	1 14 7	3 1 10
101⅛	97⅛	Funding 2½% '56-61	101 31/32	101 31/32	1 4 11	2 8 8
98⅛	92 31/32	Funding 3% '59-69	98	97⅞	1 17 5	3 5 8
98⅛	93⅛	Funding 3% '66-68	98⅛	98⅛	1 16 3	3 3 9
97⅛	97⅛	Funding 3½% 1999-2004	97⅛	97⅛	2 0 3	3 12 6
105 3/32	100⅛	Funding 4% '60-90	104⅛	104⅛	1 10 0	3 7 5
96⅛	90⅛	Savings Bonds 3% '60-70	95⅛•	95⅛•	1 19 5	3 7 1
95⅛	90⅛	Savings Bonds 2½% '64-67	95	95⅛	1 16 11	3 0 10
105⅛	101 31/32	Victory 4% '20-76	103⅛•	103⅛•	1 17 0	3 12 0
95⅛	87⅛	Savings Bonds 3% '65-75	94⅛	94⅛	1 19 3	3 7 3
97 1/16	93⅛	Consols 4% aft. Feb. '57	97 31/32	97⅛	2 5 0	4 2 0
93	84⅛	Conv. 3½% aft. April '61	92⅛	90 31/32•	2 2 6	3 17 1
102 7/32	99 31/32	Conv. 3½% 1969	101 31/32•	101⅜•	1 16 4	3 12 6
100⅛	99 31/32	Conv. 2¾% 1958-59	100 31/32	100 31/32	1 0 0	1 18 6
69 1/16	63 31/32	Treas. 2½% aft. April '75	69	67⅛•	2 0 6	3 13 6
82⅛	74 31/32	Treas. 3% aft. April '66	81⅛	81⅛	2 0 11	3 14 11
101 7/32	92 1/16	Treas. 3½% '77-80	100⅛	100⅛	1 18 8	3 10 6
100 1/16	92 31/32	Treas. 3½% '79-81	100⅛	100	1 18 7	3 10 1
91⅛	83	Redemption 3% '86-96	90⅜	89⅜•	2 0 3	3 9 2
92	84 3/32	War L'n 3½% aft. Dec. '52	91⅛	90 1/16	2 2 8	3 17 11
69⅛	63 31/32	Consols 2½%	68⅛	68 7/32	2 0 4	3 13 5
96⅛	88 7/32	Br. Elec. 3% '68-73	96 1/32	94⅜•	1 19 7	3 7 3
95⅛	87 1/32	Br. Elec. 3% '74-77	94⅜•	94⅜•	1 19 1	3 7 0
111⅛	103 3/32	Br. Elec. 4½% '74-79	110⅛	108⅛•	1 16 3	3 12 5
101⅛	93 1/16	Br. Elec. 3½% '76-79	101 3/32	101⅛	1 17 11	3 9 10
100⅛	100⅛	Br. Elec. 3½% 76-79 'A'	...	100⅛	1 18 1	3 9 3
91⅛	83 3/32	Br. Trans. 3% '78-88	90 1/32	90 7/32	2 1 1	3 10 2
96 1/16	88 1/32	Br. Trans. 3% '68-73	96 3/32	94⅜•	1 19 7	3 7 3
107⅛	100⅛	Br. Trans. 4% '72-77	106⅛	106⅛	1 16 8	3 11 11
91 7/32	84⅛	Br. Gas 3% '90-95	90 1/32	90⅛	2 0 3	3 9 8
102 1/16	96⅛	Br. Gas 3½% '69-71	101⅛•	101⅛•	1 16 10	3 8 11
106 1/16	99⅞	Br. Gas 4% '69-72	106 3/32	106⅛	1 14 8	3 9 6

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. • Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953 High	Low	Prices, 1954 Jan. 1-Aug. 25 High	Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, Aug. 18 1954	Price, Aug. 25, 1954	Yield, Aug. 25, 1954 £ s. d.
92	84⅛	97 7/32	90⅛	Aust. 3½% '65-69	95½	95⅛	3 13 0
...	...	99⅛	97⅛	Ceylon 4% '73-75	98•	98	4 2 11
98 3/32	98 3/32	106	98⅛	N. Zealand 4% '76-78	104⅛	104⅛	3 14 1
73⅛	66⅛	79⅛	71⅛	L.C.C. 3% att. 1920	79⅛	79⅛	3 15 6
95⅛	90⅛	99 1/32	95	Liverpool 3% '54-64	99	99	3 2 4
81⅛	73⅛	87⅛	80⅛	M.Wtr. 'B' 3% '34/2003	85⅛	85⅛	3 12 8
104⅛	101⅛	104⅛	101⅛	Agric. Mort. 5% '59-89	102⅛	102⅛	4 4 10
...	...	95⅛	71⅛	German 7%	81	81	...
...	...	142	102	German 5½%	121	119⅛	...
139⅛	119	159⅛	132⅛	Japan 5% 1907	147	147	...
176	136	186⅛	168⅛	Japan 5½% Conv. 1930	174⅛	174	...

Prices, 1954 Jan. 1 to Aug. 25 High	Low	Last Two Dividends (*a*) (*b*) (*c*) % %	ORDINARY STOCKS	Price, Aug. 18, 1954	Price, Aug. 25, 1954	Yield, Aug. 25, 1954 £ s. d.
			BANKS & DISCOUNT			
50/3	42/3	16 *c* 5 *a*	Barclays £1	50/-	48/-	4 3 4*m*
65/6	58/9	14 *c* 7 *a*	Lloyds 'A' £5, £1 pd.	64/6	64/-	4 7 6
84/6	74/9	8 *b* 8 *a*	Midland £1, fully pd.	83/-	83/-	3 17 1
82/9	72/7½	8½*b* 8½*a*	N. Prov. 'B' £5, £1 pd.	82/6	81/-	4 3 11
91/9	79/6	18 *c* 10 *a*	Westminster £4, £1 pd.	89/-	90/-	4 0 0
128/1½	92/-	17½*b* 7½*a*	Alexanders £2, £1 pd.	120/-	122/6	4 1 8
49/6	40/10½	5 *b* 5 *a*	Nat. Disc. 'B' £1	49/-	49/-	3 1 3*v*
55/6	44/6	5 *b* 5 *a*	Union Disc. £1	52/-	52/-	3 16 11
46/-	37/6	4 *b* 4 *a*	Barc. (D. C. & O.) 'A' £1	44/6	44/6	3 11 11
45/7½	40/3	7 *a* 7 *b*	Chart. Bk. of India £1	42/-	41/-	6 16 8
			INSURANCE			
16⅞	9½	50 *a* 85 *b*	Leg. & Gen. £1, 5/- pd.	15½	15½	2 3 7
24 3/16	20½	20†*a* 40†*b*	Pearl £1, fully pd.	23	22⅜	4 15 11
45½	35 15/32	105†*c* 112½†*c*	Prudential 'A' £1	44½	44½	4 11 11
			BREWERIES, ETC.			
131/3	125/-	33 *b* 10 *a*	Bass £1	128/1½	128/1½	6 14 3
23/3	17/4½	7½*a* 17½*b*	Distillers 4/-	22/6	22/-•	4 10 11
38/-	31/-	11 *b* 8 *a*	Guinness 10/-	37/6	37/6	5 1 4
84/3	60/-	8 *a* 15½*b*	Whitbread 'A' Ord. £1	78/9	78/9	5 6 8*l*

† Free of tax. Yield calculated on gross basis. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Whole year's dividend. (*d*) Yield basis 21%. (*e*) To earliest date. (*f*) Flat yield. (*g*) Yield basis 43⅓%. (*h*) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 14·8%. (*i*) Yield basis 13⅓% after capital bonus. (*j*) Yield basis 11⅓%. (*k*) Yield basis 8%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution. (*q*) Yield basis 22% gross. (*r*) Yield basis 32½%. (*s*) Yield basis 22·7% gross. (*t*) Also 2½%, not subject to tax, from capital profits. Yield basis 10%. (*u*) Yield basis 12%. (*v*) Yield basis 7½%. (*w*) Yield basis 20%. (*x*) Yield basis 18·18% gross. (*y*) Yield basis 11%, after capital bonus. (*z*) Yield basis 11½%. • Ex dividend.

Prices, 1954 Jan. 1 to Aug. 25 High	Low	Last Two Dividends (*a*) (*b*) (*c*) % %	ORDINARY STOCKS	Price, Aug. 18, 1954	Price, Aug. 25, 1954	Yield, Aug. 25, 1954 £ s. d.
			STEEL & ENGINEERING			
12½	10	15 *c* 10 *b*	B.S.A. £1	61/3	61/3	4 18 0
12/4	8/9	5 *a* 10 *b*	Cammell Laird 5/-	10/6	10/6	7 0 11*h*
65/-	49/9	5 *a* 10 *b*	Guest Keen N'fold £1	63/9	63/9	4 14 1
38/3	34/6	... ...	Stewarts & Lloyds £1	38/-	38/-	...
25/6	22/-	7½*b* 4 *a*	United Steel £1	25/6	25/3	7 2 7*o*
41/-	23/9	2½*a* 12½*b*	Vickers £1	40/-	40/-	3 15 0*v*
			TEXTILES			
28/2	21/4	4 *a* 11 *b*	Bradford Dyers £1	27/-	26/9	7 9 6*m*
32/4½	24/9	6 *a* 12 *b*	Brit. Celanese 10/-	26/9	26/6	6 15 10
31/4½	24/8	5 *a* 10 *b*	Coats (J. & P.) £1	27/-	26/9	5 12 2*v*
6½*a*	4½*b*		Courtaulds £1	30/6	31/6	5 1 7*h*
34/-	25/2		Lancs. Cotton £1	25/6	24/6	6 2 5*v*
30/3	23/8	20 *c* 10 *a*	Patons & Baldwins £1	65/3	63/9	6 5 6
79/6	63/-	5 *a* 15 *b*	ELECTRICAL			
62/9	41/9	7½*a* 7½*b*	Assoc. Elect. £1	61/3	60/-	3 15 0*s*
47/10½	38/-	2½*a* (*t*) 7½*b*	B.I.C.C. £1	47/-	47/6	4 4 3
55/9	38/6	6½*b* 4 *a*	English Elect. £1	55/-•	53/9	3 19 5
54/9	37/9	3½*a* 8½*b*	General Elect. £1	52/6	51/3•	4 17 7
			MOTOR & AIRCRAFT			
23/7½	18/6	3½*a* 6½*b*	Bristol Aeroplane 10/-	22/7½	22/10½	4 7 5*v*
30/3	23/4½	7½*c* 4 *a*	British Motor 5/-	11/4½	11/6	4 11 4
76/1½	35/9	7½*c* 12 *c*	De Havilland £1	28/-	27/3	5 10 1
44/6	23/10	9 *b* 6 *a*	Ford Motor £1	72/6	71/3	3 7 4
100/6	80/6	25 *c* 25 *c*	Hawker Siddeley £1	42/6	41/9	3 11 10*v*
97/6	97/6	5 *a* 25 *c*	Leyland Motors £1	97/6	97/6	5 2 7
73/-	44/-	12½*b* 5 *a*	Rolls Royce £1	72/-	70/7½	3 6 1*j*
8/10½	5/5½	12 *c* 12 *c*	Standard Motor 5/-	8/-	8/-	7 10 0
			SHOPS & STORES			
27/6	22/9	10 *a* 12½*b*	Boots Pure Drug 5/-	27/3	27/-	4 3 4
42/9	32/-	15 *b* 7½*a*	Debenhams 10/-	41/6	41/6	4 16 5*v*
100/3	53/3	15 *a* 45 *b*	Gt. Universal 5/-	98/-	100/-	3 0 0
110/-	92/9	5 *a* 17½*b*	Lyons (J.) 'A' £1	108/6	107/6	4 3 9
59/-	36/11	20 *a* 45 *b*	Marks & Spen. 'A' 5/-	56/6	55/-	2 19 1*j*
80/6	64/-	40 *b* 20 *a*	Woolworth 5/-	79/3	77/6	3 17 5
			OIL			
16⅜	8⅜	5 *a* 37½*b*	Anglo-Iranian £1	15½	15½	2 15 9
100/9	56/9	2½*a* 15 *b*	Burmah £1	92/6	92/6	3 15 8
£44⅜	£28	4 *a* 12 *b*	Royal Dutch 100 fl.	£41½	£41½	3 0 4*j*
106/9	77/10	5†*a* 10†*b*	Shell Reg. £1	100/7½	98/1½	4 12 6*s*
25/7½	17/6	15†*b* 5†*a*	Trinidad L'holds 5/-	24/6	23/9	3 16 7*x*
			SHIPPING			
16 *c*		2½*a*	Cunard £1	48/-	47/-	6 16 2
12 *c*		12 *c*	Furness Withy £1	34/6	36/-•	6 13 4
51/6	31/3	6 *a* 16 *b*	P. & O. Def. £1	49/6	49/6	4 8 11*y*
35/3	24/10½	(*p*)10*c* 10 *c*	Royal Mail £1	30/6	31/-	6 9 0
			MISCELLANEOUS			
90/3	67/9	5 *a* 12½*b*	Assoc. Port. Cem. £1	87/6	86/10½	4 0 7
65/6	33/-	15 *c* 16 *c*	Bowater Paper £1	60/-	60/-	4 0 0*n*
40/-	33/9	4 *a* 6 *b*	Brit. Aluminium £1	36/3	36/3	5 10 4
43/4½	36/3	12½†*c* 8½†*a*	Brit. Amer. Tob. 10/-	42/6	42/-•	5 8 0
$49⅜	$38⅜	3 *b* 3 *a*	Canadian Pacific $25	$48⅜	$48	5 14 10
43/10½	32/6	35 *c* 14 *a*	Decca Record 4/-	43/6•	42/6	4 2 4*y*
27/7½	18/5	11⅜*c* 14 *c*	Dunlop Rubber 10/-	27/-	26/3	5 6 8
38/10½	26/6	6 *a* 9 *b*	Imp. Chemical £1	37/3	37/-	4 1 1*v*
58/7½	49/3	11½*b* 8½*a*	Imp. Tobacco £1	54/6•	56/6	7 1 7
$82⅜	$63⅜	$2·60*c* $2·35*c*	Inter. Nickel n.p.v.	$80⅜	$82⅛•	5 2 2
63/-	51/6	7½*a* 9 *b*	London Brick £1	61/3	61/3	4 11 5*n*
28/1	21/6	6⅜*a* 13½*b*	Monsanto Chemical 5/-	25/3	25/3	3 19 2
83/-	63/6	12½*b* 3½*a*	Tate & Lyle £1	76/6	82/6	3 17 7
71/-	60/6	7½*b* 7½*a*	Tube Investments £1	68/9	68/9	4 7 3
88/1½	69/-	17½*c* 5 *a*	Turner & Newall £1	87/-	86/6	4 0 11
86/9	57/6	6 *a* 9½*b*	Unilever £1	82/-	83/-	3 15 11
38/3	30/3	†4 3/4 *a* 7½†*b*	United Molasses 10/-	34/6	34/6	6 7 6*q*
42/9	28/-	Nil *c* 10†*c*	Cons. Tea & Lands £1	42/-	40/6	8 19 6
2/4½	1/10	10 *c* 10 *c*	London Asiatic Rbr. 2/-	2/-	2/-	10 0 0*r*
38/6	25/2	5 *a* 15 *b*	United Sua Betong £1	35/6	35/-	7 12 5*i*
			MINES			
8⅜	5⅜	20 *a* 40 *b*	Anglo-Amer. 10/-	8⅜	7⅜	3 15 7
115/6	68/3	80 *a* 120 *b*	De Beers 5/- Bearer	111/10½	115/-	8 12 11
118/9	56/6	... ...	Free State Geduld 5/-	112/6	117/6	Nil
76/3	54/9	8½*c* 10 *c*	Randfontein £1	71/10½	71/10½	2 15 8
6/9	4/10½	22 *c* 24 *c*	London Tin 4/-	6/2½	6/2½	15 10 0
26½	16⅛	175 *b* 50 *a*	Rhokana £1	25½	25½	8 17 7

New York Closing Prices

	Aug. 18 $	Aug. 25 $		Aug. 18 $	Aug. 25 $		Aug. 18 $	Aug. 25 $
Balt. & Ohio	27⅛	26⅛	Am. Smelting	37⅜	36⅛	Inter. Paper	75⅛	75⅛
Can. Pac.	27⅛	26⅜	Am. Viscose	36⅛	35	Nat. Distill.	21	20⅛
N.Y. Cent.	21⅛	20⅜	Cel. of Amer.	20⅛	20⅜	Sears Roebuck	69⅛	69⅛
Pennsyl.	16⅜	16⅛	Chrysler	62	61⅜	Shell	50	50
Amer. Tel.	174	173⅛	Gen. Elec.	44⅛	43⅜	Std. Oil of N.J.	95⅜	93
Stand. Gas.	13⅛	13⅛	Gen. Motor	80⅜	80⅛	U.S. Steel	53⅛	52⅛
United Corp.	5⅛	5⅛	Goodyear	73⅛	71	Westinghouse	67⅛	67⅛
W. Union Tel.	54⅛	52⅛	Inter. Nickel	44⅛•	45⅛	Woolworth	45	44⅛

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages	Aug. 7th	Western Europe: Production and Trade	Aug. 7th
Production and Consumption	Aug. 14th	British Commonwealth	Aug. 14th
Manpower	Aug. 21st	Western Europe: Prices and Money Supply	Aug. 21st
External Trade	This week	United States	This week
Financial Statistics	This week		
Industrial Profits	July 17th		
World Trade	July 17th		

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages 1951	1952	1953	1953 May	June	July	1954 April	May	June	July
VALUE											
Imports:											
Total	£ million	325·2	289·8	278·7	295·7	291·6	293·0	284·3	280·4	291·0	289·7
Food, drink and tobacco	"	107·6	100·5	109·7	119·4	123·0	117·8	107·4	107·7	102·2	107·5
Basic materials	"	126·8	95·4	87·9	95·8	91·8	94·0	92·7	86·4	97·8	94·6
Mineral fuels and lubricants	"	26·3	28·2	26·2	26·2	23·3	25·7	28·7	28·4	26·2	29·6
Manufactures	"	63·1	64·0	53·5	49·6	50·3	52·3	53·3	56·8	63·3	56·9
Exports of UK produce:											
Total	"	215·2	215·3	215·2	211·7	203·9	234·4	224·9	228·9	217·7	246·9
Manufactures	"	183·0	178·5	174·9	172·6	167·7	191·4	184·7	187·0	177·1	203·8
Re-exports	"	10·6	12·0	8·8	7·2	7·8	8·6	8·0	9·0	8·7	9·1
Balance of trade (exports *less* imports)	"	− 99·4	− 62·5	− 54·8	− 76·8	− 79·9	− 50·0	− 51·3	− 42·6	− 64·5	− 33·7
VOLUME											
Imports	1950=100	112·5	102·8	112·1	118	113	116	117	114	113	...
Exports	"	101·2	95·0	98·1	96	94	108	104	106	101	...
BY AREA											
Imports:											
Dollar area—total	£ million	64·5	60·1	52·9	50·6	59·6	60·2	39·6	48·1	55·3	53·4
" USA	"	31·7	26·2	21·2	17·8	19·2	16·3	17·4	19·6	19·3	21·5
" Canada	"	21·7	26·7	25·4	24·3	34·0	34·6	16·7	23·1	29·4	24·7
Non-sterling OEEC countries	"	83·9	71·3	64·1	64·3	68·0	67·1	63·2	69·3	69·0	75·3
Sterling area	"	116·5	119·7	125·3	142·0	121·9	125·3	146·1	126·7	127·4	118·3
Exports:											
Dollar area—total	"	28·8	31·4	33·7	33·9	37·8	36·8	32·2	32·9	30·7	31·9
" USA	"	12·8	15·1	14·3	14·2	15·4	16·3	13·4	14·0	13·8	14·0
" Canada	"	11·7	11·0	13·4	15·1	16·4	15·1	13·2	13·3	11·0	11·6
Non-sterling OEEC countries	"	56·2	58·4	62·5	61·1	59·1	65·2	66·0	64·1	63·4	69·8
Sterling area	"	110·8	107·0	105·8	103·6	95·4	116·1	112·0	117·3	110·4	130·3
Balance of trade (exports *less* imports):											
Dollar area	"	− 35·7	− 28·6	− 19·2	− 16·7	− 21·8	− 23·4	− 7·4	− 15·2	− 24·5	− 21·5
Non-sterling OEEC countries	"	− 27·7	− 12·9	− 1·7	− 3·2	− 9·0	− 1·9	+ 2·8	− 5·2	− 5·5	− 5·5
Sterling area	"	− 5·7	− 12·7	− 19·5	− 38·4	− 26·5	− 9·2	− 34·1	− 9·4	− 17·1	+ 12·0
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	337·7	325·3	335·2	360·8	499·7	467·4	206·9	155·8	203·5	291·6
Meat	"	39·9	45·5	63·1	69·3	61·7	72·2	67·4	57·4	48·2	73·1
Sugar, unrefined	"	186·8	164·6	248·6	363·4	259·0	335·2	212·0	254·7	225·8	150·7
Raw cotton (1)	mn. lb.	37·5	21·8	27·5	22·9	33·3	27·5	36·3	34·9	35·0	34·5
Raw wool, sheep's and lambs' (1)	mn. lb.	36·0	51·9	63·3	98·3	68·2	50·4	79·0	66·8	69·5	55·4
Rubber, natural and synthetic (1)	'000 tons	25·1	16·7	18·4	21·5	18·7	24·2	18·3	17·9	18·1	17·9
Softwood	'000 stds.	135·6	85·2	119·1	115·3	180·7	187·5	78·4	113·5	171·4	194·9
Woodpulp	'000 tons	139·3	119·8	133·8	136·1	127·5	143·6	139·3	177·8	182·4	171·4
Crude petroleum	mn. galls.	359	483	556	573	528	600	642	612	563	622
Exports of UK produce:											
Coal, including bunkers	'000 tons	961	1,254	1,400	1,495	1,244	1,405	1,434	1,417	1,331	1,391
Woven piece-goods—cotton	mn. sq. yds	72	59	59	58	52	67	59	58	49	57
" " " wool	'000 sq. yds.	9,817	8,143	8,706	8,256	7,855	9,576	7,552	7,630	7,340	8,540
Passenger cars and chassis	number	30,717	25,824	25,186	30,939	30,077	32,301	33,898	36,459	33,253	38,999
Commercial vehicles and chassis	"	11,382	10,636	9,199	9,139	8,525	11,320	11,052	11,926	10,015	12,110
Agricultural tractors	"	9,388	8,746	7,807	7,735	8,202	6,995	10,085	9,228	9,233	10,113
Machinery—electrical	£'000	4,022	4,805	5,015	4,644	4,659	5,386	4,757	5,501	4,595	5,547
" other	"	26,245	30,346	28,762	30,476	29,013	32,420	32,331	32,498	29,645	33,687
Chemicals, elements and compounds	"	n.a.	3,085	4,180	4,237	4,022	4,583	4,603	5,452	5,141	5,212

(1) Retained imports.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1953 prices
	1947-49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	...	42	48	88	100·0	23·86	45·97
1952	111·6	107·0	113·5	114·6	105·8	114·6	123	102	121	195·0	67·97	68·52
1953	110·1	97·0	114·4	112·8	104·8	117·7	117	102	115	193·3	71·69	71·69
1954, March	110·5	98·4	114·8	112·1	104·3	119·0	119	102	117	207·1	70·71	70·50
„ April	111·0	99·4	114·6	112·4	104·1	118·5	121	102	119	215·8	70·20	70·06
„ May	110·9	97·9	115·0	113·3	104·2	118·9	...	...	...	223·2	71·13	70·78
„ June	110·0	94·8	115·1	113·9	104·2	118·9	...	...	...	223·9	71·68	71·25
„ July	110·4	96·2	115·2	114·6	...	119·1	...	...	...	233·0	70·92	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment		
			Durable goods			Non-durable goods			New construction; seasonally adjusted	Total labour force	Total employment	Unemployed as % of labour force
	Seasonally adjusted annual rates		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals				
	$ billion	Index 1947-49=100; seasonally adjusted							$ million	thousands		% rate
1939	91·1	58	49	53	48	66	80	45	683	55,230	45,750	17·2
1952	346·1	124	136	116	154	114	105	137	2,751	62,966	61,293	2·7
1953	364·9	134	153	132	189	118	107	147	2,938	63,453	61,929	2·4
1954, March	355·8[1]	123	135	103	171	114	97	146	3,001	63,825[2]	60,100[2]	5·8[2]
„ April	356·0	123	134	103	172	115	100	146	3,025	64,063[2]	60,598[2]	5·4[2]
„ May		124	135	106	175	116	99	147	3,066	64,425[2]	61,119[2]	5·1[2]
„ June		124	135	109	168	116	96	148	3,069	65,445[2]	62,098[2]	5·1[2]
„ July	...	124	136	105	169	116	96	148	3,085	65,494[2]	62,148[2]	5·1[2]

TRADE

	Personal consumption Annual rates	All business[3]		Total retail[3]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1936-38=100	
1939	67·6	10·80	20·05	3·50	5·53	190	62	41	260	139	94	113
1952	218·4	46·08	77·11	13·67	21·59	896	245	214	1,253	778	151	251
1953	230·1	48·82	81·07	14·23	22·66	898	217	224	1,304	910	158	262
1954, February	230·5[1]	46·71	80·39	13·97	22·42	816	196	167	1,170	776	144	238
„ March		47·09	80·09	13·90	22·56	874	209	183	1,116	723	153	225
„ April		47·64	79·52	14·24	22·69	944	198	183	1,413	959	161	284
„ May	233·1	46·91	79·37	14·04	22·80	830	204	176	1,389	952	...	...
„ June	...	47·70	78·96	14·44	22·60	972	...	...	1,462	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics[4]		Budget expenditure[5]		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	$ billion; seasonally adjusted annual rates			$ billion; end of period		$ billion; end of period		$ billion		Per cent per annum		
1939	72·9	46·6	4·3	7·22	4·50	23·4	17·2	9·0	— 3·9	0·023	...	3·01
1952	271·2	190·6	14·2	25·83	18·68	77·5	64·2	65·4	— 4·0	1·766	2·68	2·96
1953	286·1	204·4	12·2	28·90	21·81	78·1	68·3	74·3	— 9·5	1·931	2·93	3·20
1954, March	285·0	201·1	12·5	27·15	20·90	75·7	67·0	5·6	+ 5·9	1·053	2·51	2·86
„ April	284·4	200·9	11·5	27·33	20·91	77·4	66·8	5·3	— 2·5	1·011	2·47	2·85
„ May	286·2	201·6	12·6	27·52	20·93	78·6	67·1	5·2	— 1·6	0·782	2·52	2·88
„ June	286·4	201·8	12·4	27·78	21·11	79·1	67·2	7·1	+ 3·4	0·650	2·54	2·90
„ July	...	...	...	...	...	...	...	...	...	0·710	2·47	2·89

(1) First quarter. (2) Figures calculated on the basis of a new and larger sample. (3) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (4) All commercial banks. (5) Annual figures are totals for the fiscal year ended June 30th.

Financial Statistics

EXCHEQUER RETURNS

For the week ended August 21st there was an "above-line" deficit (after allowing for Sinking Funds) of £52,985,000 compared with a surplus of £25,966,000 in the previous week and a deficit of £42,321,000 in the corresponding period of last year. This brought the cumulative deficit to £124,390,000 (£195,907,000 in 1953-54). There was a net receipt "below-line" of £12,957,000, bringing the total cumulative deficit to £271,739,000 (£384,722 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Aug. 22, 1953	April 1, 1954 to Aug. 21, 1954	Week ended Aug. 22, 1953	Week ended Aug. 21, 1954
Ord. Revenue					
Income Tax	1800,000	380,165	373,729	12,258	23,982
Sur-tax	132,000	28,300	27,300	900	600
Death Duties	164,375	66,700	71,100	2,800	4,400
Stamps	55,000	21,000	26,400	1,000	1,000
Profits Tax & EPT	172,000	76,800	65,900	4,500	3,300
Excess Profits Levy	60,000	22,550	36,100	1,500	2,700
Special Contribution and other Inland Revenue	1,000	380	580	...	80
Total Inland Rev.	2384,375	595,895	601,109	22,958	36,062
Customs	1062,500	412,298	430,027	21,764	20,828
Excise	719,000	290,513	300,830	10,005	16,470
Total Customs and Excise	1781,500	702,811	730,857	31,769	37,298
Motor Duties	77,000	12,864	14,281	...	...
P.O. (net receipts)	....	2,600	8,950	2,000	3,500
Broadcast Licences	21,000	3,900	4,700	...	...
Sundry Loans	24,000	9,049	9,130	...	...
Miscellaneous	245,000	45,243	56,892	268	847
Total	**4532,875**	**1372,363**	**1425,919**	**56,995**	**77,756**
Ord. Expenditure					
Debt Interest	570,000	225,291	225,228	7,726	52,484
Payments to N. Ireland Exchequer	51,000	16,632	16,855	...	...
Other Cons. Fund	10,000	4,370	4,065	...	217
Supply Services	3855,399	1310,926	1292,209	91,140	77,740
Total	**4486,399**	**1557,218**	**1538,346**	**98,866**	**130441**
Sinking Funds	36,000	11,052	11,953	450	300
"Above-line" Surplus or Deficit	—	**195,907**	**124,390**	**42,321**	**52,985**
"Below-line" Net Expenditure		188,815	147,349	4,416	12,957
Total Surplus or Deficit	—	**384,722**	**271,739**	**46,737**	**40,028**
Net Receipts from:					
Tax Reserve Certificates		84,496	161,684	1,105	1,849
Savings Certificates		8,900	4,400	300	— 200
Defence Bonds		— 25,518	— 7,964	— 656	217

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
Aug. 22	3,330·0	1,422·7	241·8	...	4,994 5
1954					
May 22	3,290·0	1,595·7	305·0	...	5 190·6
„ 29	3,320·0	1,579·8	270·6	...	5,170·4
June 5	3,340·0	1,274·1	278·9	...	4,893·1
„ 12	3,320·0	1,332·8	274·6	...	4,927·3
„ 19	3,300·0	1,372·1	296·1	...	4,968·2
„ 30	4,700·0		268·6	3·3	4,971·8
July 10	3,280·0	1,432·5	260·2	...	4,972·7
„ 17	3,260·0	1,411·6	267·2	...	5,038·8
„ 24	3,270·0	1,492·2	281·6	...	5,043·9
„ 31	3,270·0	1,485·5	263·1	...	5,018·7
Aug. 7	3,280·0	1,447·7	285·3	...	5,013·0
„ 14	3,280·0	1,451·3	272·3	...	5 003 6
„ 21	3,270·0	1,495·5	279·0	...	5,044 5

THE MONEY MARKET

DESPITE the ease in money during the preceding week the discount market last Friday cut its tender price for Treasury bills by a further penny—under the influence, no doubt, of the weakening of sterling and of the fact that the bill offering had been raised to £260 million (again exceeding maturities by £10 million). Total applications rose to over £398 million, but the discount houses again secured 50 per cent of their tenders; the average allotment rate rose by 4d. to 32s. 2.66d. per cent, its highest since early July.

Before the tender, credit supplies had been further eased by the demand for bills set up by the repayment of bank advances from the proceeds of the new Electricity loan.

A moderate amount of special aid was given, mainly by the indirect route. On Tuesday and Wednesday credit supplies were patchy but adequate, with the banks buying November dates at 1⅛ and Octobers at 1⅛ per cent.

Gold has naturally risen further, in line with the continued seasonal weakening of sterling; on Thursday morning it was fixed at 249s. 8d. per fine ounce, its highest "fixed" price since the reopening of the market.

The Bank return shows the reflux of another £16½ million of notes for circulation—again a larger movement than at the similar period last year.

LONDON MONEY RATES

	%		%
Bank rate (from 3¼%, 13/5/54)	3	**Discount rates**	
		Bank bills: 60 days	1⅛
Deposit rates (max)		3 months	1⅛
Banks	1½	4 months	1⅝–1⅛
Discount houses	1½	6 months	1⅝
Money—Day-to-day	1½–2½	Fine trade bills:	
Short periods	1½–1⅝	3 months	2½–3
Treas. bills 2 months	1⅛	4 months	2⅞–3½
3 months	1⅝	6 months	3 –4

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	Aug. 26	Aug. 18	Aug. 25
Issue Department:			
Notes in circulation	1,545·7	1,670·5	1,654·0
Notes in banking dept.	29·7	29·8	46·4
Govt. debt and securities*	1,571·8	1,696·2	1,696·2
Other securities	0·7	0·8	0·8
Gold coin and bullion	2·9	3·4	3·4
Banking Department:			
Deposits:			
Public accounts	8·8	13·5	14·6
Treasury special account	31·6	1·7	1·7
Bankers	277·5	274·2	267·2
Others	67·3	76·5	63·8
Total	385·2	365·9	347·3
Securities:			
Government	351·5	333·5	296·4
Discounts and advances	3·6	5·0	7·0
Other	16·3	13·8	13·7
Total	371·4	352·3	317·1
Banking department reserve	32·1	32·1	48·7
	%	%	%
"Proportion"	8·3	8·7	14·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,750 million to £1,700 million on August 18, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s. d.	Allotted at Max. Rate* %
1953					
Aug 21	270·0	358 2	270·0	47 4·25	67
1954					
May 21	270·0	400·7	270·0	34 3·24	54
„ 28	270·0	426·8	270·0	34 3·33	49
June 4	270·0	414·3	250·0	32 11·61	58
„ 11	260·0	418·3	250·0	32 3·56	57
„ 18	260·0	400·4	250·0	31 7·57	56
„ 25	260·0	426·0	260·0	32 1·48	38
July 2	270·0	384·0	270·0	32 5·41	60
„ 9	270·0	396·2	250·0	31 3·90	65
„ 16	240·0	433·1	240·0	31 2·27	34
„ 23	230·0	423·1	230·0	31 2·52	34
„ 30	240·0	414·2	240·0	31 2·80	39
Aug. 6	240·0	397·6	240·0	31 3·09	46
„ 13	250·0	387·5	250·0	31 10·56	50
„ 20	260·0	398·2	260·0	32 2·66	50

* On August 20th tenders for 91 day bills at £99 11s. 11d. secured about 50 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £260 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: August 25	Market Rates: Spot: August 19	August 20	August 21	August 23	August 24	August 25
United States $	2·78-2·82	2·81⅛-2·81⅛	2·81⅛-2·81⅛	2·81⅛-2·81⅛	2·81⅛-2·81⅛	2·81⅛-2·81⅛	2·80⅞-2·80⅞
Canadian $	...	2·72½-2·72½	2·72½-2·73	2·72½-2·72¾	2·72½-2·72½	2·72⅝-2·72⅞	2·72⅝-2·72⅞
French Fr.	972·65-987·35	982½-982½	982½-982½	982½-982½	982-982½	981½-982	979½-979½
Swiss Fr.	12·15⅛-12·33⅞	12·20-12·20¼	12·20-12·20¼	12·20-12·20¼	12·20-12·20¼	12·20-12·20¼	12·20¼-12·20⅝
Belgian Fr.	138·95-141·05	139·87½-139·92½	139·87½-139·92½	139·87½-139·92½	139·87½-139·92½	139·85-139·90	139·80-139·85
Dutch Gld.	10·56-10·72	10·61¼-10·62¼	10·61¼-10·62¼	10·61¼-10·62¼	10·61¼-10·62¼	10·61¼-10·62¼	10·62-10·62½
W. Ger. D-Mk.	11·67⅛-11·84⅛	11·72½-11·72¾	11·72½-11·72¾	11·72½-11·72¾	11·72½-11·72¾	11·72½-11·72¾	11·72½-11·73
Portuguese Esc.	79·90-81·10	79·90 80·05	79·90 80·05	79·90 80·05	79·90 80·05	79·90-80·05	79·90-80·05
Swedish Kr.	14·37½-14·59½	14·50½-14·51½	14·51-14·51½	14·51-14·51½	14·51-14·51½	14·51-14·51½	14·51½-14·51½
Danish Kr.	19·19½-19·48½	19·41¼-19·41½	19·41¼-19·41½	19·41¼-19·41½	19·41¼-19·41½	19·41¼-19·41½	19·41½-19·42½
Norwegian Kr.	19·85-20·15	20·01¼-20·01½	20·01-20·01½	20·01-20·01½	20·01 20·01½	20·01¼-20·01½	20·01¼-20·01½
One Month Forward Rates							
United States $		⅛c. pm-par	⅛c. pm-par	⅛c. pm-par	⅛c. pm-par	⅛c. pm-par	⅛c. pm-par
Canadian $		⅛-⅛c. dis	Par-⅛c. dis	Par-⅛c. dis	Par-⅛c. dis	Par-⅛c. dis	Par-⅛c. dis
French Fr.		6-9 dis	6-9 dis	6-9 dis	6-9 dis	6-9 dis	7-10 dis
Swiss Fr.		1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par
Belgian Fr.		¼ pm-¼ dis	Par-¼ dis	Par-¼ dis	Par-¼ dis	Par-¼ dis	Par-¼ dis
Dutch Gld.		⅛c. pm-par	⅛c. pm-par	⅛c. pm-par	⅛c. pm-par	⅛c. pm-par	⅛c. pm-par
W. Ger. D-Mk.		1pf. pm-1pf. dis	1pf. pm-1pf. dis	1pf. pm-1pf. dis	1pf. pm-1pf. dis	1pf. pm-1pf. dis	1pf. pm-1pf. dis
Swedish Kr.		⅛ pm-⅛ dis	⅛ pm-⅛ dis	⅛ pm-⅛ dis	⅛ pm-⅛ dis	⅛ pm-⅛ dis	⅛ pm-⅛ dis
Danish Kr.		1-5⅛ dis	1-3⅛ dis	1-3⅛ dis	1-3⅛ dis	1-3⅛ dis	1-3⅛ dis
Norwegian Kr.		⅛ pm-⅛ dis	⅛ pm-⅛ dis	⅛ pm-⅛ dis	⅛ pm-⅛ dis	⅛ pm-⅛ dis	⅛ pm-⅛ dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/3	249/1	...	249/3	249/3½	249/5

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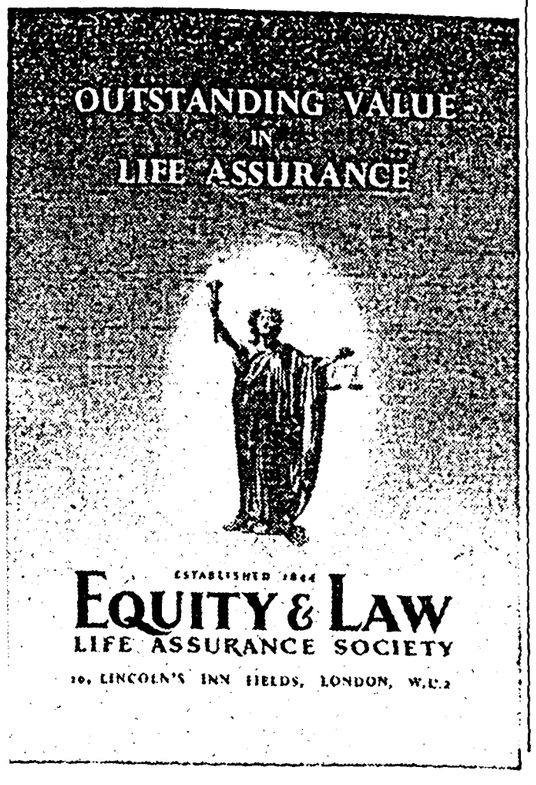
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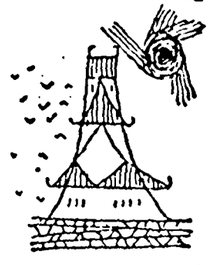
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COMPANY MEETINGS

WILLIAMS AND WILLIAMS

PROBLEM OF EVER-RISING COSTS

The forty-fifth annual general meeting of Williams and Williams, Limited, was held on August 20th, at Reliance Works, Chester.

Mr B. A. Williams, OBE, chairman of the company, presided, and in the course of his remarks said: It is unusual for me to present accounts which do not show increased profits, but with world-wide interests we must be prepared for fluctuating results. A not inconsiderable proportion of our resources is located in this country where we have had to deal with problems that have faced not only ourselves, but many other organisations, both in regard to trade in the home and export markets to meet considerable increases in the cost of wages, materials and services, and at the same time maintain competitive selling prices and what is equally important, make our contribution, however small it may be, to the avoidance of a general raising of costs in the markets, especially housing, which we serve. Indeed, striking confirmation of this will be found by reference to the recent analysis in the Board of Trade Journal dated July 24th, page 166, of the increases in the costs since 1949 of the more important materials used in the building industry, and which points out that the re-rolled sections, angles and tees which as you well know form our basic raw material, have the unenviable distinction of showing the greatest increases of all.

I am sure there is insufficient realisation of the fact that improved results every year can only be achieved either by higher selling prices or increased turnover produced more efficiently, but the ever increasing costs of raw materials, services and labour and the frequency with which they occur, make it exceedingly difficult to maintain profit levels without increasing selling prices. However, I am pleased to be able to say that our order book at the present time is in a healthy state.

PROGRESS OVERSEAS

Considerable progress has been made in the construction of your new factories at Trenton, Ontario, and at Leopoldville in the Belgian Congo, but it cannot be expected that these will have any effect on our figures in the current financial year. Nevertheless we are confident that the upward trend in the demand for our products in these two markets will in due course prove the wisdom of thus adding to the manufacturing resources of our group.

On the other hand, I must give a note of warning that elsewhere certain of our production units notice a recession in activity, but while not making any definite prophecies, nevertheless I feel that we can view the future with a quiet optimism born of the fact that in technical development and skill in our industry, absorbed of course during a century of activity therein, we shall continue to see Williams and Williams windows and allied products in demand wherever building work is going on.

The net profit attributable to the group after providing for all expenditure other than taxation and debenture redemption, amounted to £406,867, and after providing for taxation and adding the sum of £320,241 brought forward from previous years, a balance remains of £491,267 which your directors recommend be dealt with in the manner set forth in their report. These recommendations include a dividend of 12½ per cent on the increased capital.

The report was adopted.

OLDHAM AND SON LIMITED

THREE FURTHER SUBSIDIARY COMPANIES FORMED

The thirty-fifth annual general meeting of Oldham and Son Limited was held on August 26th in Denton, the chairman, Mr John Oldham, OBE, JP, presiding.

In his circulated statement he said: My report again records a successful year.

The consolidated profit and loss account for the Group shows the net profit for the year 1953-54 before taxation at £270,750, as against £262,541 for the previous year.

After providing for British and Overseas taxation of £154,967, there remains a balance of £115,783 against £109,247.

OVERSEAS ACTIVITIES

On the general export side there has been an increase of over 50 per cent in the volume of goods shipped overseas, as compared with the previous year, and today the company is making direct exports to over 100 countries. The production of our associated companies overseas and these direct exports now represent together some 40 per cent of the Group's total production.

During the year three new subsidiary companies have been added to the overseas group—Fibrak (Australia) Pty. Limited, the Compagnie Française des Separateurs Fibrak, and Oldham and Son Central Africa (Pvt.) Limited.

The remaining members of our overseas Group—Oldham and Son Africa Limited, Société Française des Procédés Oldham, Oldham and Son (India) Limited—also report satisfactory progress.

MINING

Over three-quarters of a million miners all over the world daily take an Oldham cap lamp with them as they descend below the surface in search, not only of coal, but of gold, copper, lead, slate and more recently of uranium.

BATTERIES

Besides being used by hundreds of thousands of motorists in private car service, Oldham batteries are part of the lighting and starting equipment on many main passenger and goods carrying services.

FIBRAK

As is indicated by the formation of two further companies solely devoted to its production, the demand for the Fibrak separator continues to grow.

AIRCRAFT

Oldham batteries are used for the stringent daily demands of civil airlines such as the BOAC Argonaut fleet and are also supplied in large quantities for the jet aircraft both of the RAF and of the Air Forces of Free Europe.

NEW FIELDS

We have in the past twelve months introduced a new range of industrial lamps, based on our well-tried mining lamps, but modified to meet these new needs.

Parallel with this development, we are now producing our entirely new range of emergency lighting equipment.

The report was adopted.

I.B.E. LIMITED

POSITION OF INCREASING FINANCIAL STRENGTH

The twenty-sixth annual general meeting of I.B.E. Limited was held on August 24th at the registered offices, Slough, Bucks, Mr Robert Montgomerie (deputy chairman) presiding.

The following is an extract from the chairman's circulated statement: The accounts for the year to March 31st last show not only an improved profits position but an increasingly sound financial structure.

The consolidated net profits at £45,283, after taxation, show an increase of approximately £20,000. As the accounts indicate, this improvement has, to some extent, been influenced by the payment of a loss of profits claim consequent on a fire at one of our plants in August, 1952, and by the settlement of a double taxation relief claim in respect of several years preceding these accounts. Even so, there is a marked improvement in actual trading profits and therefore your directors have felt justified in increasing the dividend to 11 per cent.

The consolidated balance sheet shows a position of increasing strength with overall reserves and surplus of £234,346, an improvement of £21,521 over last year's figure of £212,825. The liquid position of the company with an excess of current assets over current liabilities of more than £325,000 continues to be satisfactory and places the company in a favourable position for financing expansion or new developments as they arise.

ROADS, AIRFIELDS AND PUBLIC WORKS MATERIALS

Our main products here are Colfix and Lomix Bitumen Emulsions and, as I forecast last year, the heavy cuts in road expenditure were reflected in a perceptible diminution in business. By improvements and economy in production and distribution, however, we have actually been able to earn increased profits in this section of our business and with promises of more expenditure on roads your board feels confident of maintaining and, perhaps, expanding their share of the market.

Apart from our normal business we are concentrating on one or two new developments with which, if successful, we hope to open up new fields for our products and so assist in the expansion of sales.

Industrial Products: This section of our business is concerned with the production and sale of adhesives, waterproofing and other bituminous materials. We have taken steps to expand this section which, I am glad to say, is making steady progress.

Paints: The welding of our separate paint companies into a compact and forceful unit has been completed and we look forward with confidence to an increased return from this section of our Group.

The business of our associated company in South Africa continues to develop on a sound and profitable basis.

On the technical side we have constantly endeavoured to avoid resting on our laurels and having steadily and with encouraging progress continued to work in our laboratories towards the improvement of existing products and the development of new products or fields of activity so that we can keep abreast, or ahead, of modern demands.

During the three months to date there has been a general improvement in our business overall, and if this continues, it would be reasonable to suppose that the present year will be no less satisfactory than that under review.

The report and accounts were adopted.

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invites all who have or would like to have relationships — business or personal — with Australia, to use its complete banking service.

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THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of Temporary Assistant Lecturer in American Studies. The appointment is from October 1, 1954, or as soon as possible thereafter, to September 30, 1955. It would be an advantage if candidates had qualifications in general American History since the Revolution, with special interests in the origins of the American Civil War. Salary within the range £450 to £550 per annum, with membership of the Children's Allowance Scheme.—Applications should be sent, not later than September 22, 1954, to the Registrar, the University, Mancheater, 13, from whom further particulars and forms of application may be obtained.

GENERAL MANAGER (SALES)

THE GLACIER METAL CO., LTD. invites applications for the head office appointment of a General Manager (Sales). The company manufactures a wide range of plain engine bearings and standard products, employing approximately 2,500 in factories situated in London, Manchester and Scotland. The G.M.S. will be directly responsible to the Managing Director for organising, maintaining and developing the sales activities of the company. He will be responsible for working out sales policy and for customer contact. He will need to maintain effective relationships with the general managers for manufacturing and technical development. He will have as immediate subordinates technical and export specialists, representatives responsible for large customers and a sales manager, who has subordinate to him representatives for geographical areas. He will also be responsible for advertising.

Applicants need not be qualified engineers, but must have a sufficient grasp of engineering to discuss and negotiate with top level executives in the engineering industry. Previous experience of sales management is essential, preferably in engineering. The preferred age range is 40-45, but both older and younger candidates with exceptional qualifications will be considered. Salary range is £3,000 to £4,000 according to age and experience; pension with life assurance. The successful candidate is expected to merit nomination for a directorship within one year.—All applications will be treated in confidence, and should be addressed to Mr. W. B. D. Brown, Managing Director, The Glacier Metal Co., Ltd., to reach him at the Head Office at Ealing Road, Alperton, Middlesex, not later than Monday, September 20, 1954.

INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED require a first-class Executive to take charge of the Corporation's Industrial Investigation Department, comprising engineers and other technicians, accountants, market investigators and others specialists. The Department has three main functions: the investigation of the businesses of new applicants; routine liaison with existing customers; and the provision of special assistance and advice to customers. Applicants for this post, which will command a substantial salary, should have first-class experience in industrial consultancy. Communications should be addressed to The Chairman, at 7 Drapers' Gardens, London, E.C.2, marked "Personal." All communications will be treated in complete confidence.

TRAINING FOR MANAGEMENT.—Pitman Home Study for all Management and Secretarial Examinations; also for Transport and Hospital Administration. Personal tuition; success guaranteed. Details of course required from Pitman Correspondence College, 84 Pitman House, Godstming, Surrey.

ASSISTANT, about 35 years of age, required by important representative, commercial and trade organisation in the Midlands, as Deputy Editor of its monthly journal. The principal requirement is an ability to write and comment constructively on current economic and legal topics. Commencing salary will be not less than £850 per annum, with prospects of advancement for the right man. Contributory pension scheme.—Write Box 674.

MARKET ANALYSTS are required by Export Division of Ford Motor Company Limited, Dagenham, Essex. An honours degree in economics is essential, coupled with some knowledge of higher mathematics and statistics. Candidates must have a lively interest in export matters and practical experience will be a strong advantage. Knowledge of motor vehicles and/or tractors an asset.—Reply to Salaried Personnel Department, quoting reference FMR.

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DIRECTOR OF RESEARCH

The British Steel Castings Research Association with Headquarters in Sheffield, invites applications for the position of Director of Research, to lead a team of about 18 scientists and technicians, together with clerical and library services. A metallurgist with research and some industrial experience preferred, but a physicist or chemist with similar experience considered. A new Research Station is about to be built and equipped. The Association is in receipt of D.S.I.R. Grant, and has connections and liaison with the works and laboratories of all the leading steel foundries in the U.K., together with a number of overseas contacts. For this reason administrative ability to work with committees, works personnel, etc., as well as the Association's own staff is of great importance. Salary, which will be in accordance with qualifications and experience, will be substantial. The Industry served by the Association produces about 225,000 tons per annum of carbon and alloy steel castings, and employs approximately 25,000 people.

Communications or queries should be addressed in confidence to the Chairman, British Steel Castings Research Association, Broomgrove Lodge, Sheffield, 10.

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Business executive, of £2,000 per annum category. Long, excellent record in overseas field of international commerce, wishing to settle permanently in England, seeks managerial position with young, ambitious company, to organise and develop its export trade.—Box 678.

BBC REQUIRES TALKS PRODUCER in Home Sound Broadcasting, to be concerned with talks and discussions on economics and international finance. He should be able to keep abreast of developments in this field, initiating and planning relevant broadcasts with outside contributors, carrying out preparatory work and production at the microphone. Wide interests and good education (University level) essential; also first-hand knowledge of economics and fiscal matters generally. Legal or journalistic training and experience, competence in writing or editing scripted material and interest in broadcasting as a means of discussing present-day problems would be useful. Appointment on grade, with salary £870, rising by five annual increments to £1,175; or £1,065, rising to £1,465 per annum, according to qualifications. Requests for application forms (enclosing addressed envelope and quoting Reference "370" Ect.), should reach Appointments Officer, BBC, Broadcasting House, London, W.1, within five days.

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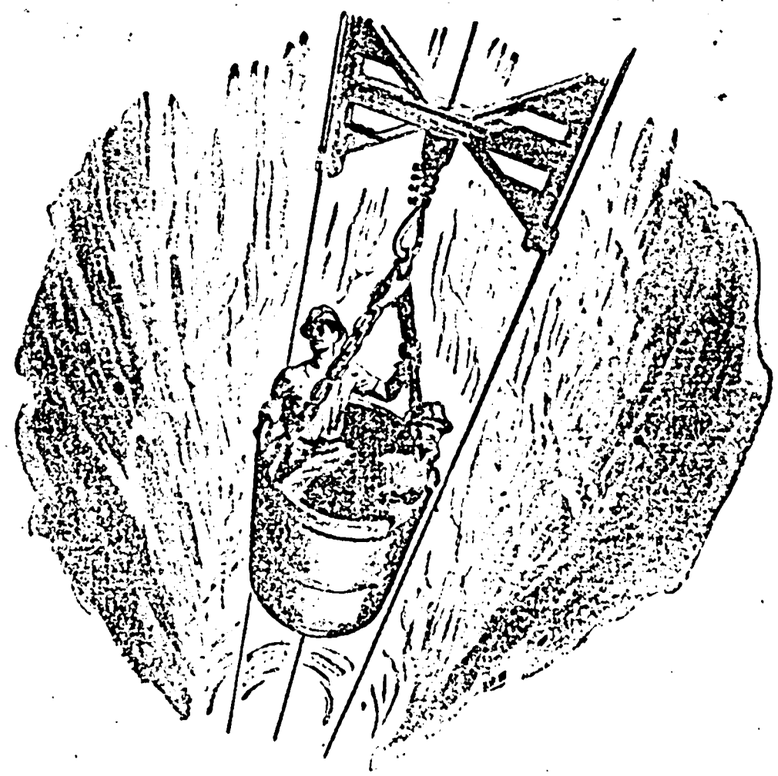
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DIGGING INTO THE FUTURE

In the early days at Broken Hill, lack of capital made it necessary for the holders of the ground they had staked, to offer shares in order to raise money to sink a shaft to one hundred and fifty feet where they found the lode. In time, the deposit of ore was known to be of such size that it extended nearly three and a half workable miles in length. These early pioneers did not know, nor did they care, how deep it was. They were content with the riches to be had near the surface and from penetrating only a couple of hundred feet or so.

Today, men are still exploring the extensions of the lode—and still they have not reached its limits. Probing the depths of the earth, they have gone to three thousand feet and more, uncovering fresh riches at every level. They are digging into the future; a future to which no man can set a limit, for each new level exposed adds a generation to the life of the mine. During shaft sinking, men and materials are taken down in a kibble with wire rope guides. In time, this shaft will serve as an air passage for the lower levels, concreted throughout its entire depth.

But now the shaft goes down like a well and, like a well, it is wet and hot at the bottom. Cool air must be forced down there to counteract the rise of temperature—1° Fahrenheit for every 70 feet it sinks—and the water must be pumped out so that men can work. Their work as shaft sinkers calls for special skill which puts them in a class of their own, and their earnings are commensurate with their craftsmanship.

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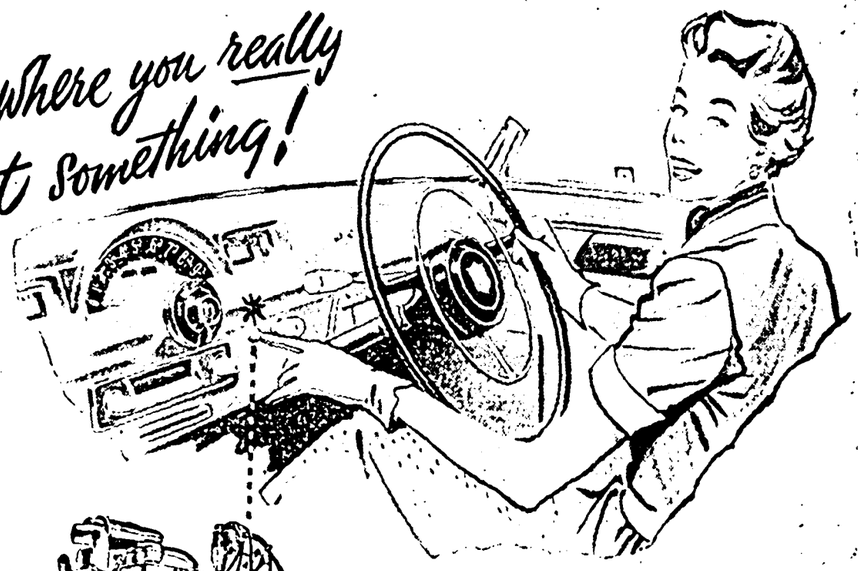
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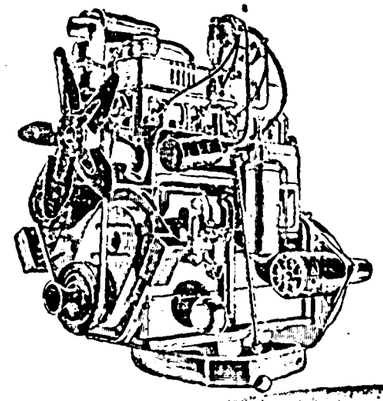
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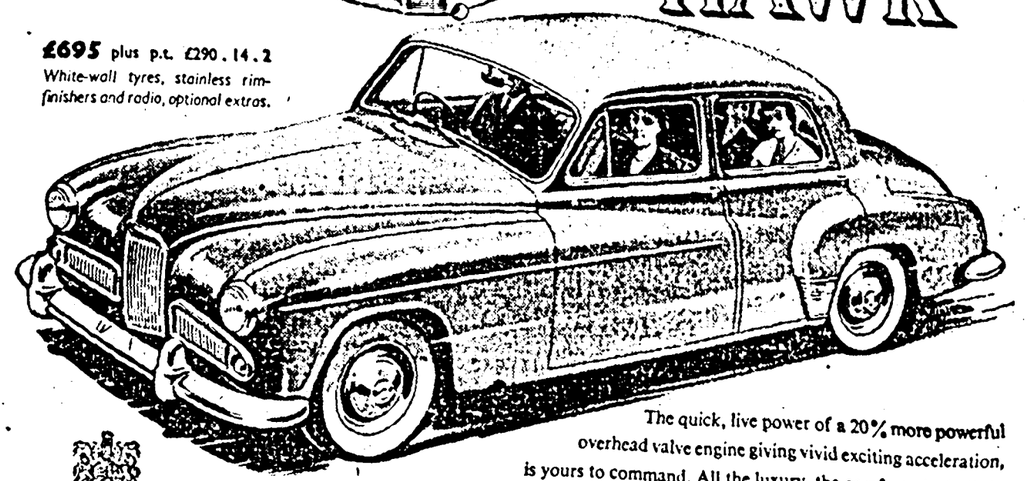


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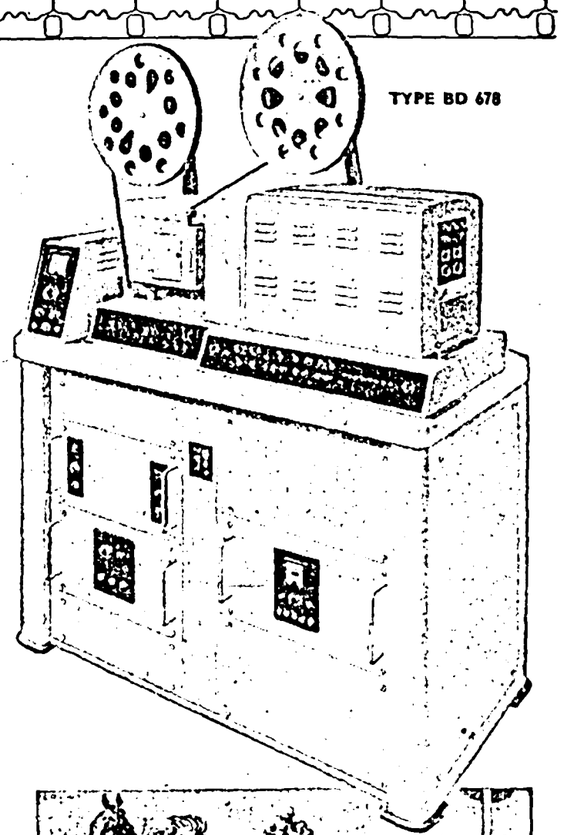
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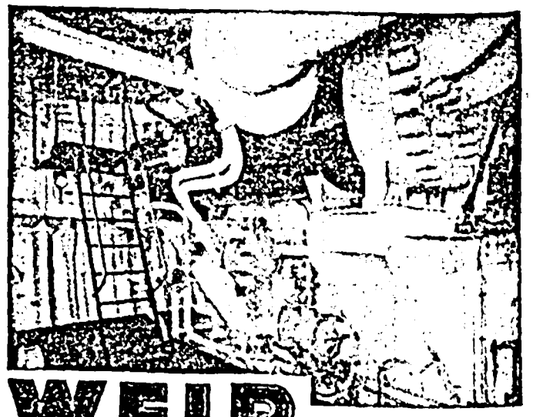
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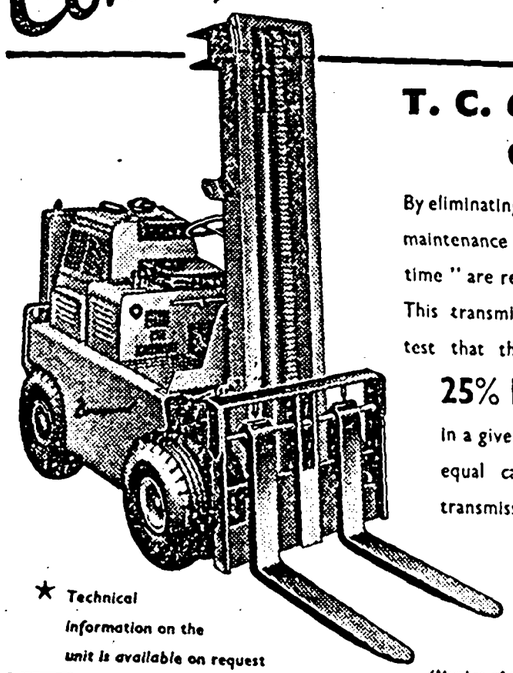
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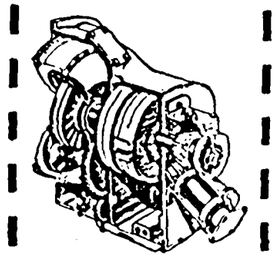


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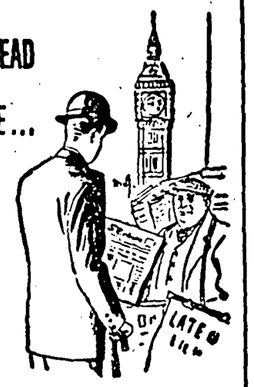
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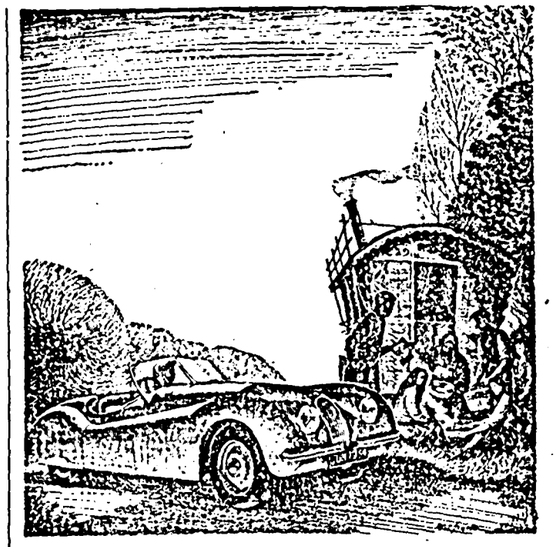
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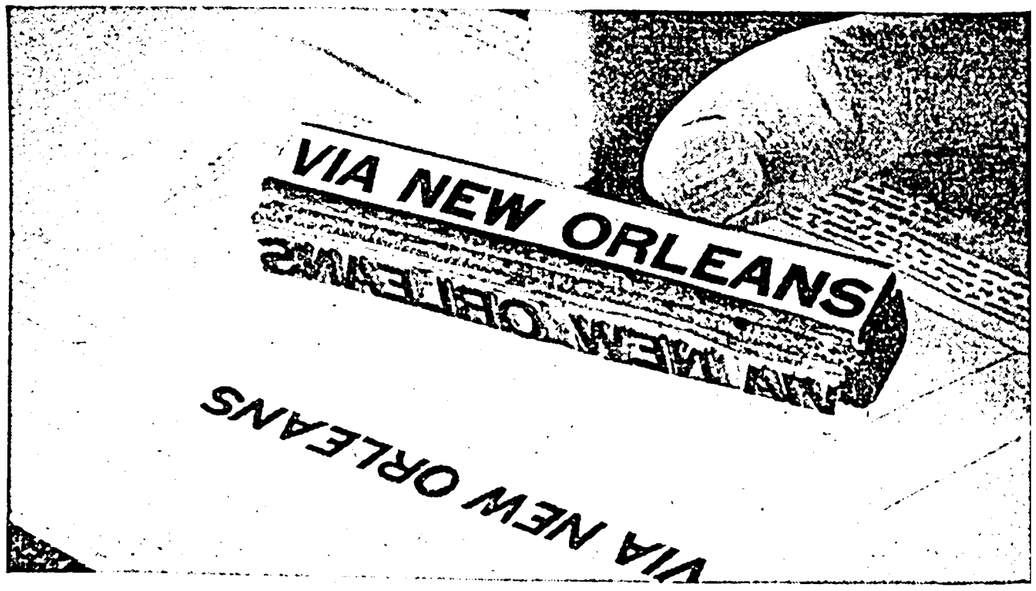
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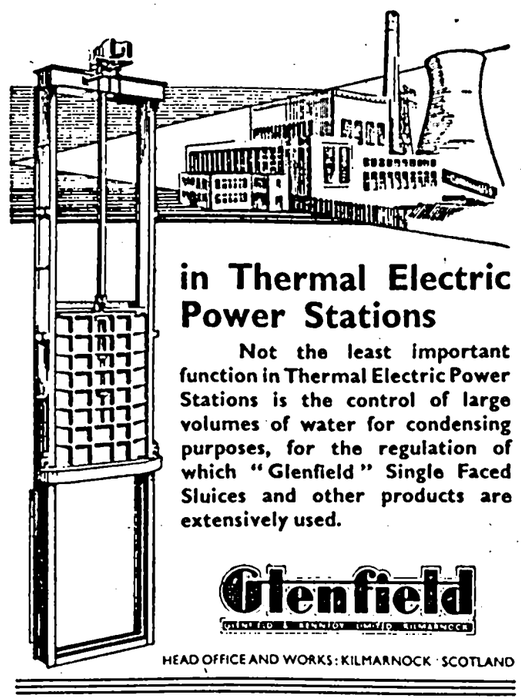
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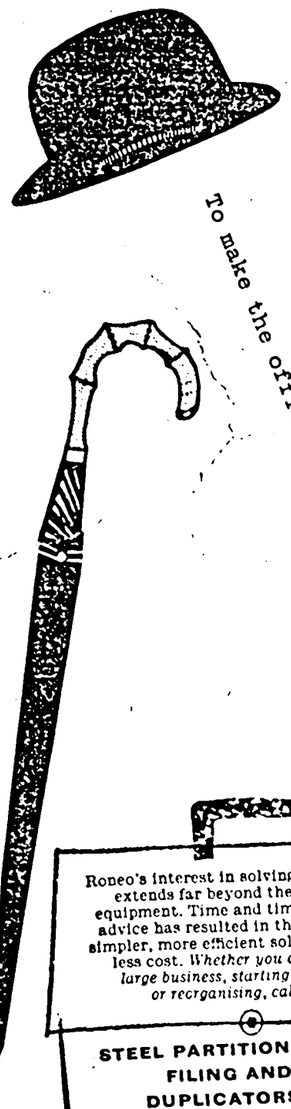


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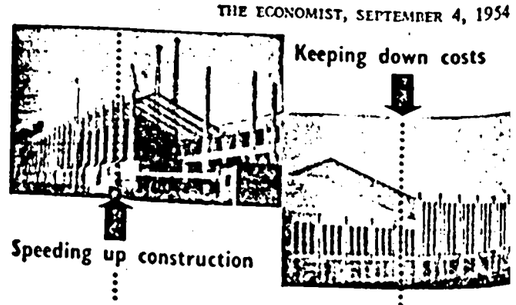
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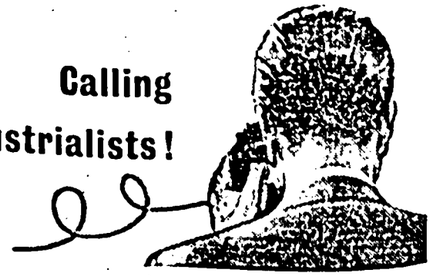
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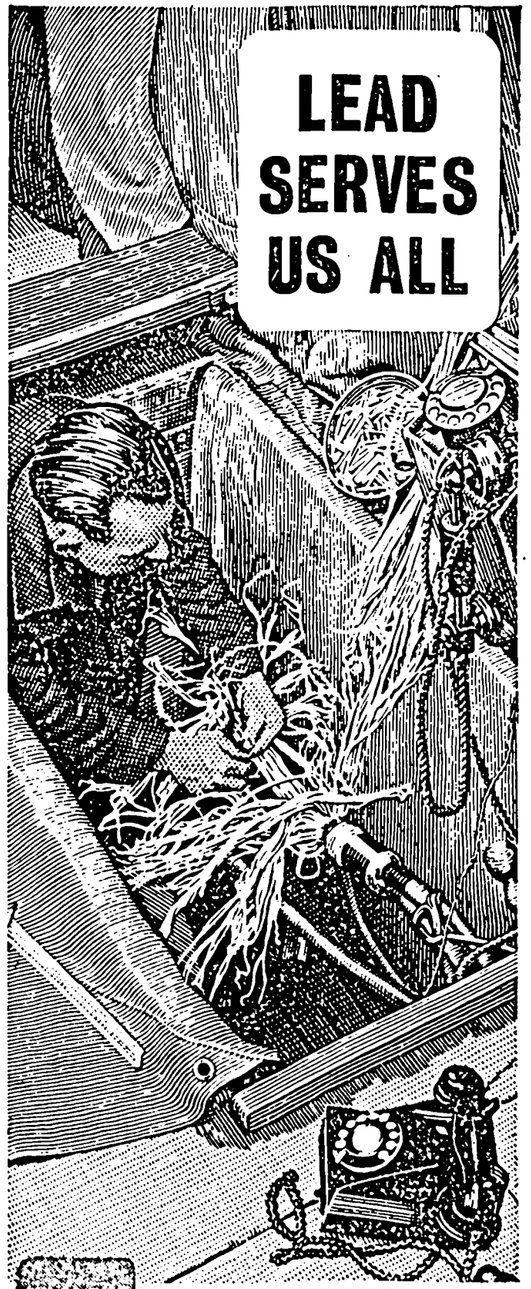
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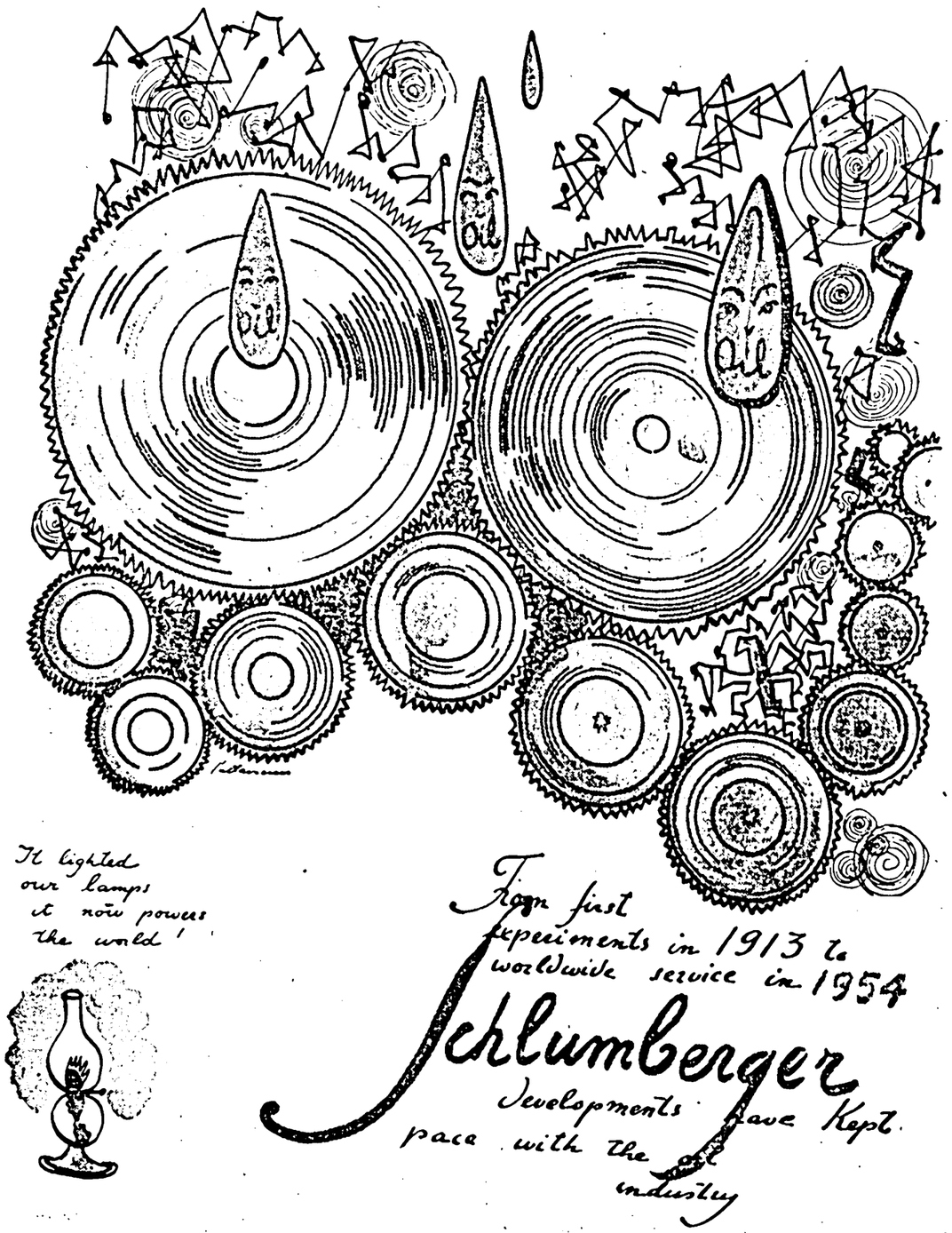
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The Economist

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ONE SHILLING

A Vote for Paralysis 711
Unions Under Pressure 713
An Unbalanced Economy? 715
Room for Japan 717

NOTES OF THE WEEK

Labour and the End of EDC; Mr Gaitskell for Treasurer; Bonn States its Terms; Herr Ollenhauer Gloats; Allies seen from Washington; Landlords' Day; On Boarding Buses; Comfortless Committee; No Puppets in Manila; Scene Shifters in Indo-China; Frothblowers in Canton; Observers will be Obstructed; The Age of Crime; Check to the Tribunals; Rather More Irishmen; Aftermath in Brazil; Petrov in the Shade; Motorists in the Courts. 719

LETTERS TO THE EDITOR . . . 729

BOOKS AND PUBLICATIONS . . 730

AMERICAN SURVEY

Trade Policy Marks Time 735

McCarthy Under Control; Democratic Harvest?; Going Slow on the Farm; Embargoes for the Future; Bankers in Waiting; Classless Education; Going Out of Business; Motel de Luxe; Shorter Notes.

THE WORLD OVERSEAS

High Tide for Malan 743

Last Hours of the EDC; WFTU Seeks a Comeback; Sheikhs' Boundaries and Frogmen; Soviet Heavy Bombers.

THE BUSINESS WORLD

Popular Investment 751
Moving Britain's Meat 752

BUSINESS NOTES

Wool Prices Fall; Balanced Supplies; Buoyant Reserves; Coal and the Boom; Gussies Opportunities; Wide Screens and Small Cinemas; A Plum from Vickers; FCI Lends More; Local Financing; Ships at Fixed Prices?; Foreign Exchange for Emigrants; Credit Trend in August; Tidying up in Steel; Anglo-Japanese Trade Disappoints; Harpoon at a Venture; Barclays DCO Tidies its Capital; The Port and the Power Station; Shorter Notes. 754

COMPANY NOTES AND SECURITY PRICES 766

STATISTICS 769

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A Vote for Paralysis

TO complete the present picture of confusion and bitter disappointment among the western allies all that is needed is a telegram from Mr Molotov to M. Mendès-France saying "Well done. Between us we killed the EDC." For what happened last Monday in the National Assembly was better than anything a Soviet Foreign Minister could hope for. Not only was the power of the Communist Party to veto French foreign policy displayed in the most decisive and public fashion, but a cruel blow was struck at confidence between the partners in the Atlantic alliance. The leaders of Western Germany and the European movement have been publicly humiliated, the Americans exasperated, and the British thrown into baffled gloom. And at the end of it all no one knows what the foreign policy of France now really is.

It is all very fine for M. Mendès-France to declare that a majority of deputies have been shown to favour the Atlantic alliance, and to declare his own faith in it. It seems more likely that his overriding political aim is to stay in power himself and to impress on France's allies the risks of making any demands on his government that might bring about its fall. He appears to think he can negotiate from both strength and weakness: from the strength of his country's central strategic and political position in free Europe and from the weakness of the economic and social system that only he has undertaken to cure. His theme is: What is France without me, what is Europe without France, what is the western alliance without Europe? It is a dangerous game he is playing, as the reactions in Germany are already showing. The bluff was tried in Brussels and failed; the question now is whether it will be tried in London and Washington.

If so, it should be called without hesitation. French behaviour over the EDC, much of it no fault of the present Prime Minister, has destroyed confidence. Pledges from Paris to do this if Britain does that, or the United States does the other, will not be believed. For even a shred of confidence to be restored it is necessary that the French government should as quickly as possible perform—not merely promise—some unequivocal act of goodwill towards the government of Dr Adenauer, something that it will defend before parliament to the point of resignation. It is against his own countrymen, not against long-suffering friends abroad, that M. Mendès-France should use his threat of *après moi le déluge*. French honour can be redeemed only by courageous action on the part of a French government. Until that happens no realistic thought about alternatives to the defence community is possible. For that very reason the need for this action is urgent; and if M. Mendès-France visits Chartwell again he should be confronted with a time-table as peremptory as that he presented in Geneva and in Brussels.

Some people will dispute the need for haste. They will say that the need for German divisions is less urgent than it was, that resentments must be given time to die down, that the whole of western

defence policy should be coolly re-examined, that when four years have been wasted a fifth does not make much difference. This is to evade the central question, as the French Assembly evaded it. That question is : Is there still time to get Germany firmly tied into the western community of free nations ? It has been Dr Adenauer's steady policy—to his honour and to our good fortune—to accept such obligations as would make it difficult for Germany in the future to break out of the western alliance or to go over to the enemies of freedom. That was the real purpose of EDC, to which "German rearmament" was a mere incidental. That policy is now close to complete ruin, and if anything at all is to be rescued from it in the short remaining time that Dr Adenauer can be expected to have authority among his countrymen, there is need for the utmost haste. There is, *it is true, no immediate danger* of the Chancellor falling from power ; nor is there any real risk as yet of a rush by German politicians to join the pretenders' court that is being established in Eastern Germany by Field-Marshal Paulus, Dr John and others. The danger is that Dr Adenauer, in order to persuade Germans to transfer their allegiance from the European to the Atlantic idea, may feel obliged to raise his terms to the occupying powers very high indeed. The process can already be seen at work ; Bonn says that the "German Contract" which was to have been the counterpart of EDC, is not good enough. A nervous, isolated and neurotic France may well be frightened off once again and try to impose another veto. If so, there will have to be straight talk from London and Washington. If the Americans and the British now find themselves compelled to give Dr Adenauer almost anything he asks for —if they are compelled, either in reality or at least in appearance, to prefer Germany to France—that is the fault of France. The poor second-best that has now to be patched up should be worked out with the French, if they will ; but without them if they will not.

★

What shape should the second-best take ? It must be something fundamental but simple, something calculated to avert a bitter clash between French and German national feeling. It should not need detailed and lengthy negotiation, and France's partners should have an obvious right to ask for it. It cannot be a straightforward acceptance of German rearmament, immediate and unconditional. Dr Adenauer does not want this, nor do the majority of Germans ; it would provoke a storm not only in the French Assembly but also in the House of Commons. Neither, apparently, can it be a straightforward acceptance of the Bonn conventions restoring limited sovereignty to the German government. For that it is too late. The limitations they impose on German sovereignty were accepted by the cabinet in Bonn a long time ago, and even then only in return for the general settlement contained in the plans for European integration. The Germans could still easily spoil everything by talking too loud. But they are on firm ground in demanding that no restrictions of sovereignty should be imposed on them that others will not accept for themselves.

In view of all these facts, there is only one practical course open. That is to work for the prompt admission of a sovereign Germany into Nato as a full and equal member of the Atlantic alliance. This would bring German defence and rearmament plans within the purview, if not under the control, of the only thoroughly integrated institution that the Atlantic alliance has produced—the supreme headquarters founded by General Eisenhower. It is second-best to EDC, but it is better than the series of bilateral treaties between Germany and the western governments that has been furtively discussed in the past. It is, of course, useless to blink the fact—on which criticism of the idea in these pages has been based in the past—that the restraints of the Nato Council are weak and that a nationalist German government, bent on mischief, could not in the last resort be held back by anything in the North Atlantic Treaty as it stands. German rearmament within Nato is a fine phrase for public meetings ; but it virtually means nothing more at present than rearmament by the side of interested friends.

★

An attempt will have to be made to tighten up the pledges that the members of Nato give to each other, both the positive pledges of the help they will give to each other and the negative pledges of the things they will not do. But this will obviously take much negotiation, and to try to do it before Germany is admitted to Nato would be to risk a repetition of the EDC farce, with a procession of impotent French Foreign Ministers constantly putting off decision and an irresponsible National Assembly finally pronouncing a veto. Risky though it is, the only possible course must be to get Germany into Nato first, and then to set about examining the further mutual pledges that the members of Nato—or some of them—will give to each other.

Would M. Mendès-France accept this programme and recommend it to parliament ? It is difficult to say. His methods and his statements have lately been too devious for any firm judgment to be possible. It looks, for the time being, as if he will first try to shift some of the responsibility for the collapse of EDC on to British shoulders by insisting that the defence community, or any other solution to the German problem, would have been possible if Britain had accepted the same sacrifices of sovereignty as France and Germany were asked to accept. This needs a clear answer, and a clear answer can be given. It does not lie in the mouth of any Englishman to upbraid the French for refusing to surrender their defence sovereignty when Britain itself has made a like refusal. But the French offence does not lie in the refusal ; it lies in the waste of so much precious time, in shilly-shallying incompetence. The British position was made clear from the start. The French knew all about it when they first initiated, then negotiated and finally signed the EDC treaty.

It remains true, nevertheless, that if Britain had been willing to go a little further into Europe, more could have been made of the idea of European integration. It is also true that, in the course of the rescue operation that is now necessary, there will have to be some British acceptance of the idea of integration. No restraints upon the Germans will be effective unless they involve some surrender of German sovereignty ; and no German sovereignty will be surrendered unless Britain will make the same, or a comparable or parallel surrender. It has always been difficult to understand why the British Government has been so very frightened of this idea. As the "Declaration of Policy" of last April put it, "Her Majesty's Government can conceive of no circumstances" in which they would wish to modify the policy of the western alliance "which embodies their sense of fellowship with like-minded nations, responds to their own interests and serves so well to secure their general aims." If the end is so much desired, why jib at the means ? The Government might well ask its advisers to set out precisely the military arguments for and against British participation, in something tighter than Nato but looser than EDC. It could seek from members of the Commonwealth definite answers to specific questions about their views on such a project. If the military and Commonwealth verdicts were favourable to a revision of British policy, then the way would be clear to demand a final decision from France in favour of complete German independence and equality within a more closely organised Atlantic group. If the verdicts were unfavourable, then it would be better to join the Americans in a thorough reappraisal of the means by which Western Europe is to be defended.

★

The issues are very grave and it is no time for tinkering. Here is a task for Sir Winston Churchill far more urgent and exacting than his long-cherished project of a *tête-à-tête* with Mr Malenkov. Indeed, the chance—it is a remote chance—of getting the Russians to make concessions in Germany depends on the western powers showing the utmost determination to organise a safe and stable balance of power in central Europe. It would be wise to assume that the United States has gone to the limit in military commitments, political pledges and economic aid. If it does not see the British, French and Germans also going to the limit, it will be fully entitled to make the agonising reappraisal of which Mr Dulles once spoke. The way would then be clear for Mr Molotov to extend gradually over central Europe the sword-stick umbrella that he unfurled after the Berlin conference. If the Atlantic organisation called Nato is torn apart by France, there is the Soviet-European Treaty Organisation called Seto waiting to take its place. The Russians would then have solved the problem of peaceful co-existence in Europe to their entire satisfaction.

Unions Under Pressure

THROUGHOUT next week the thirty-five successful, sober and mostly at least middle-aged gentlemen who make up the General Council of the Trades Union Congress will face over a thousand delegates in a crowded conference hall at Brighton, for the eighty-sixth consecutive annual congress since their now-venerable movement began. The challenges that will be thrown at the council and at the rest of the right wing are already known. There will be the usual left-wing motions calling for a ban on the hydrogen bomb ; rather picturesquely, the first of these will be moved by the National Amalgamated Union of Life Assurance Workers. There will be resolutions calling for opposition to "German rearmament" in any circumstances, and for co-operation between the separate international confederations of free and of Communist trade unions ; the General Council will resist these to the uttermost. There will be resolutions calling for more Socialism in the Labour Party's domestic programme ; the General Council will resist these so far as tact permits. There will be resolutions calling for an end to wage restraint ; the General Council still believes in moderation, but thinks that the employers and the City of London are throwing their side of the bargain away.

There will be two questions in most people's minds as they watch these proceedings. The first is: how great and how dangerous will be the pressure of wage demands this autumn and winter ? To this, the congress is most unlikely to provide an immediate answer. Whatever the motions passed, whatever the tactics used, the policy of the union leaders will in fact be in favour of some moderation, but not too much. The real question is whether continuing foreign competition will make even these moderated demands too onerous for employers to grant without a struggle that would stretch to strikes. The answer lies hidden in the mists of impending economic circumstances ; nobody should expect it to be revealed upon the floor at Brighton.

The second question is: will the unions continue to exert a moderating influence on almost every issue—including the crucial international issues that are now arising—at the annual conference of the Labour party, which starts at Scarborough in three weeks' time? At the end of last year 5,056,912 of the 6,093,822 members of the Labour party exercised their membership through the trade unions. The real importance of next week's congress at Brighton does not lie in the unions' primary industrial role. It lies in the fact that the people who meet there will have the finances, and some of the policies, of Britain's alternative government nestling uneasily in their pockets.

Will they continue to help to prevent those policies from swinging irresponsibly neutralist and left? Once again, the answer to this question can probably be reasonably optimistic. The unions are likely to exert a moderating influence on Labour's foreign policy, although nobody can be sure whether it will be strong enough to suffice; the General Council of the TUC has already voted, for example, by a majority of about four to one in favour of a German contribution to Western defence, and it did not tie this approval specifically to EDC. The country is probably going to witness next week another act in the long drama in which the trade unions try to save Labour from itself. This drama, however, is always played out in such a baffling manner, amid a cacophony of such near squeaks, that there is often widespread misunderstanding about what the generally right-wing voting at these congresses reflects. In fact it reflects an alarming two-mindedness in the trade union movement, a dichotomy that arises from the fact that the big trade unions have democratic constitutions which never quite work.

★

Only a small minority of Britain's nine million trade unionists belong to the extreme political left; the exiguous Communist vote both at parliamentary elections and at direct elections of important union officials suggests that this minority cannot account for as much as 10 per cent of the whole. Probably about the same proportion of trade unionists customarily vote Tory in ordinary elections; but they clearly do not do so out of burning conviction, for the Tories' desperate search for active Conservative trade unionists, to put on show at their own conferences, has so far unearthed only a small collection of not very successful specimens. The majority of trade unionists are clearly most in sympathy with the genuinely anti-Communist wing of the Labour Party, although they do not belong to it in any real sense. This moderate majority will usually vote in some strength at elections for important union officials, and will return men of their own persuasion; they can become immoderate about particular grievances that arise at a factory level rather than on the national political stage, and can then follow extremists who exploit these grievances in bitter if temporary recriminations against their elected leaders. But one thing that the majority cannot be persuaded to do is turn up at branch meetings, after working hours, to vote about the political resolutions or the delegates that are to be sent forward to annual meetings of their unions. Probably only about ten per cent of the membership customarily does so, and this ten per cent often contains a majority of the extremists on the left.

★

This tendency towards a sizable right-wing vote at direct elections of important officials, and towards a small but extremist one at branch meetings, explains the dichotomy with which the trade union movement is oppressed. Most of the general secretaries and other permanent officials of the big unions are moderate men; they have either been elected by direct vote or else appointed by the moderate men who have won these direct votes. Once established at a union headquarters they tend to become more moderate still; they have research staffs and other bodies at their back who damp down nonsense with sprays of hard fact. Once established, too, they become accustomed to fighting against extremists on the factory or conference floors; the constitutions of their unions usually help them to do so, despite the plethora of odd delegates and odder resolutions that scantily-attended branch and area meetings throw up. This tradition of fighting Communists and fellow-travellers is particularly true of the union leaders who reach the General Council of the TUC itself; at next week's elections for a new General Council the usual sprinkling of Communists will put up for membership, but, as usual, the vote of the whole congress will almost certainly turn them down. And herein lies the important difference—the explanation of the constant deviation to the right—between the Labour Party and the unions. To Labour leaders the extremists are the fiery heart and soul of their local parties, the only people who will turn up at political meetings and faithfully pay their dues; they are nuisances who sometimes have to be appeased if the party is to survive. To union leaders the extremists are people who are always making trouble in unofficial strikes or on conference floors; they are nuisances who need to be suppressed.

The voting at each annual trades union congress merely shows how successful or unsuccessful this task of suppression of unrepresentative minorities has been at individual union conferences in the preceding year. It does not cast a light on the movement of opinion among the broad masses of union members, but merely on the varying efficiency of the checks built up in union constitutions to the imbalances that are caused by the exiguous number of votes that are cast at branch meetings. The real significance of next week's congress at Brighton is simply that it will once again—in crucial international circumstances, with the usual unnerving uncertainty, but probably also with the usual degree of moderate success—put this system of checks and imbalances to the test.

An Unbalanced Economy?

IN his presidential address to the economic section of the British Association this week, Professor Austin Robinson put forward a careful, tentative, but controversially gloomy assessment of Britain's long-term economic future. Long-term judgments are dangerous exercises, although they have the advantage that nobody will remember them if events prove they are wrong. But since this controversy could have some early implications for Britain's agricultural policy, it would be wise for present-day economists to take sides in it now.

Professor Robinson based his argument on an analysis of the changing structure of the British economy, which he carried back to the time when Gregory King was first guilty of inventing macro-economic investigations in the reign of William and Mary. The statistics underlying his argument are very roughly summarised in the accompanying charts. The first chart shows the ratio between retained imports and national income at selected dates throughout the last two hundred and seventy years. In 1688 Britain was still a mainly self-sufficient economy; the real level of consumption per head at that time was only a little under half of that in 1925-34, but only about 5 per cent of the things that we consumed were bought from abroad. These imports included a certain amount of tropical foodstuffs and wine, but Britain was still at that time a small net exporter of grain. The country's dependence on imports rose steadily in the next two hundred years, to a peak of 33 per cent of net national income in 1880; since 1880 there has been a small although not continuous tendency to decline.

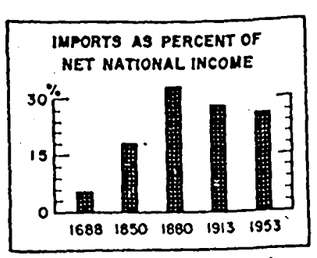
The second chart shows the decline in the proportion of the occupied population engaged in agriculture. It has been a continuous decline since the days of Britain's predominantly peasant economy in the seventeenth century; by 1951 the proportion of workers engaged in agriculture and fishing was only about 5 per cent—the lowest proportion for any country in the world. The third chart, based on the researches of Mr Colin Clark and relating to a shorter run of years, shows that the ratio of average productivity in British agriculture to that in British industry has declined from 1.07 in 1870 to 0.60 in 1951. In other words (if the figures for the early years are right, which is doubtful), the average worker in agriculture contributed slightly more to Britain's real income in 1870 than the average industrial worker did; but by 1937—on the stern test of market prices—he was not even two thirds as valuable to the country as the industrial worker was. At first sight, this seems to suggest that Britain has been very wise to allow resources to drift into factories and away from the land during the last eighty years; and that even now it should continue to encourage this trend.

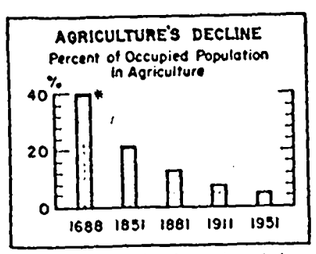
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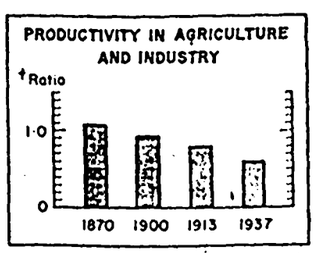
But at this stage Professor Robinson cries "Wait." Ever since mid-Victorian days, he shows, the incentive to move resources from agriculture to industry has been operative in other countries besides Britain—often indeed to a greater degree than here. In fact:

> Over the greater part of the last eighty years there has been an advantage to any country anywhere (with exceptions in Australasia and South America) which moved resources out of agriculture into industry and which imported primary products. We in Britain could benefit through the fact that our technical lead, our financial resources and our geographical setting put us in the position to move more quickly than others.

Professor Robinson believes that this opportunity for quicker industrialisation—which was based on a concentration of scientific knowledge and practical expertise in this country, combined with poor transport and a lack of the technical background required for receptivity of scientific knowledge abroad—will not last. Indeed he cites statistics of the rapid drift from agriculture to industry in many foreign countries, which suggest that Britain's near-monopoly and former capacity for quick movement have been emulated already. Effective competition with our traditional exports is rapidly increasing; he believes that it will continue to increase, to an extent that will make it difficult for us to earn enough







*Minimum estimate. Based on proportion of gross national product believed to have been derived from agriculture at this time.

†Ratio of average productivity in British agriculture to that in British industry. Based on estimates made by Mr Colin Clark in "The Conditions of Economic Progress." (Macmillan, 1951.)

foreign exchange to buy so much of our food from abroad.

For this reason Professor Robinson considers that "we are progressively moving into a world in which the advantages of our nineteenth-century structure in its extreme form will be less than in the past." His conclusion is that we may have to start drifting back to the land again, that "under the pressures of ordinary market forces we must expect and be prepared to adjust ourselves to an import ratio a little nearer to that of Germany than we have today"; at present Western Germany (with 16 per cent of its occupied male population in agriculture) imports about one-fifth of its food, while Britain (with only 6 per cent of its occupied males in agriculture) imports about one-half. Although Professor Robinson would rely mainly on the price system to effect the changes in structure which he believes will be necessary, his "fear is that events may continue to require us to make changes faster than a free and smoothly working economy can easily carry them through."

This is the core of Professor Robinson's argument. It is an argument that bluntly foreshadows impoverishment for the British people; if we have to move back on to the land and towards the West German pattern of production, then we will presumably also have to move back towards the West German standard of living—which is some 15 or 20 per cent lower than ours. But Professor Robinson's case is so modestly worded, that dissent from it must be modestly worded too. There will be little disagreement with his analysis of the forces that have shaped Britain's economy in the past; the disagreement will centre solely on the way in which he thinks those forces are going to develop in the future.

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For Britain's place in the world economy will depend not only on the things that other countries try to make in competition with us, but also on the things that they will want to buy and the ways in which those goods can most economically be made. And are the manufactured goods that the world will demand in increasing measure in the next fifty years, and the ways in which it will be most profitable to make them, really goods and ways that will tip the balance towards new and quickly learning countries and against countries with the advantage of accumulated scientific knowledge and expertise? Does the world stand at the tail-end of the old industrial revolution, in whose processes under-developed countries are clearly going to catch up? Or does it stand on the verge of a new scientific revolution—an age of jets and atomic power and synthetic materials—in which the advantages of an early start are going to be even greater than in the industrial revolution of the last century? In under-developed countries the use of labour is still cheap and the use of capital is still expensive, partly because savings are scarce but also partly because they have not got many technicians capable of using machines to the best advantage (although they are learning fast). But is this advantage to the poorer countries of the spread of knowledge not likely to be outbalanced by the fact that—in all branches of industry and even in agriculture—the most economic forms of production are likely to become more complex, more capital-intensive and more knowledge-intensive than ever? Are what economists call the "external economies" of possessing large industrial massifs, the advantages of having ancillary services and know-how and traditional skills already in being, really likely to decline? Should the manufacturing revolution of the last eighty years be regarded as a once-for-all affair? Or should it be regarded as a continuing process in which methods of production have only started on their course of becoming ever more complex—and are likely to continue along it at an accelerating pace?

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These are the questions to be asked. They are not questions that can glibly be answered. But many people who have stared into this same crystal ball have felt a fear as cogent as, though very different from, that voiced by Professor Robinson. The fear is that if industrial production becomes more capital-intensive and more complex, this will not lead mainly to a shift in the balance of economic advantage from poorer countries to Britain; it will lead to a shift in that advantage from all countries to the United States. That is one of the reasons for fearing the continuance—perhaps one should say the re-emergence—of a long-term dollar gap, at any rate at present rates of exchange.

It is time to make a guess as bold as that which Professor Robinson has set down. The guess is that the tightrope that Britain will have to walk in its future export drive will lie through products that have a sufficiently high proportion of capital costs to enable us to compete with newer countries like Japan, but that have a sufficiently high proportion of labour costs to enable us to compete with the United States. It will be a narrow tightrope; and at the old-fashioned end—in such industries as cotton textiles—it will be crowded with Japanese and Indians and inconveniently hard-working or swiftly developing people of that sort. But at the other end—in engineering and other newer industries—there should be room enough if we are ready to fill it. That is why the key to Britain's future prosperity seems to lie with the rate of industrial investment and capital creation in these newer industries; that is why many people doubt whether a progressive Britain would really be obliged to turn more of its scarce labour resources back on to its scanty land. But will Britain's investment policy be progressive? This is another unanswerable question; some at least of those who ponder on present trends may join Professor Robinson in his role of Cassandra, though they give it a different script.

Room for Japan

JAPAN'S economy is in new straits. The signs of impending crisis have stirred Washington into action, and last week Mr Dulles foreshadowed exceptional measures to help the Japanese ride out the storm. But, while it is true that only the Americans have the means, quite apart from the inclination, to give Japan emergency aid, the task of making a lasting solution to the problem possible must lie very largely with Britain and the rest of the sterling area. Japan, like Britain, depends for its existence on international trade, and the country's economic recovery cannot be completed if Britain and other members of the Commonwealth obstruct its access to world markets.

But in Manchester, Sydney and Johannesburg it will surely be asked what concern of the Commonwealth it is to put Japan back on the economic map. Is it not rather in the interests of both businessman and trade unionist to keep the Japanese out of the market, or to divert their energies to supplying the needs of China's millions? At this point politics and economics cross. None but the most credulous fellow traveller can ignore the disastrous consequences that would follow if Japan, weakened by economic setbacks and frustrated by commercial obstruction in the free world, fell into the Communist bloc's lap with all its resources of industrial equipment and skilled manpower. That possibility cannot be ruled out. Neutralist feeling in Japan is reinforced by cherished hopes of a life-saving restoration of trade with China—hopes which are largely illusory, for the new China has made clear its reluctance to absorb Japanese textiles and consumer goods on the old scale, but which are skilfully played upon by the active propagandists of both Peking and Moscow.

The case for doing more to help Japan does not, however, rest solely on political and strategic factors. It is also good economic sense. Japan is an important customer of the Commonwealth; it bought some £50 million worth of wool from Australia and £56 million of jute, cotton and mineral ores from India and Pakistan during 1953, when its total imports from sterling countries amounted to £240 million. Purchases of this size must be paid for chiefly by exports, and in a world in which inconvertibility of currencies persists it is hardly surprising that the Japanese should seek bilateral balance in their sterling accounts, or that they should be reluctant to settle sterling debts by payment in dollars. (Here emerges one of the clearest advantages that convertibility might bring to Britain.) But this is not all. The argument that the sterling payments problems of the Japanese were purely self-imposed because of their unwillingness to spend their dollar reserves holds no water in present circumstances; for Japan's entire foreign trade accounts are now seriously out of balance.

In 1953 the country's receipts from current and capital, visible and invisible transactions were exceeded by payments to the tune of some $193 million, with the result that foreign exchange reserves declined by 14 per cent. This ominous trend has continued (although in June and July, for the first time this year, a plus sign appeared); a deficit of $177 million, nearly five times as much as in the corresponding period last year, was chalked up for the first six months of 1954. At that rate the reserves would probably be down to the minimum safety limit before the end of this year.

The Japanese government has stepped in at the last minute with a policy of deflation which, if it scarcely deserves the comparison with Crippsian austerity already attached to it, is at least medicine of the same sort. By any standards the projected reductions of imports are severe: imports of rice are cut by a third, of wheat by 10 per cent and of sugar by nearly one-fifth. In fact, however, the blow dealt to standards of consumption is not as heavy as it seems, for imports of these and other goods had markedly increased during 1952, the volume of total imports rising by some 37 per cent, that of rice imports by 10 per cent and of sugar by 38 per cent. In effect, therefore, a return to something close to 1952 consumption standards is now aimed at. The same is broadly true of imports of raw materials, which Japanese industries have been buying more heavily than they could afford, and which will also be cut if the present official plans bear fruit. But merely to say that Japan has been brought to the brink of an over-importing crisis is too simple a diagnosis; on closer examination the problem turns out to be much more complicated.

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By all measures, 1953 was a record year for Japan. Production was up by 26 per cent and the national income by 15.5 per cent, while real income per head topped prewar standards for the first time. It was an illustration, not dissimilar to that of Western Germany, of the extraordinary recuperative powers that may lurk in a seemingly stagnant and dejected economy. But in Japan's case, in contrast to Germany's, the increase in imports was not matched by a corresponding expansion of exports. Rising production and higher money incomes and consumption standards were inevitably reflected in a higher import bill; but for a number of reasons exports failed to keep pace, while there was a marked fall in income from other sources, notably from American procurement orders—purchases of Japanese supplies for the use of the armed forces in Korea, Japan and neighbouring areas.

Exports, which increased by only 12 per cent in

volume and by a mere one per cent in value, were hampered by high costs. This was an indication of the inflation which accompanied, and partly evoked, last year's record production figures. The internal price level rose during 1953 by between five and ten per cent. It is now the object of the government's new deflationary policy to wipe out this advance in prices. Yet the fact that Japanese exports had priced themselves out of world markets was largely due to the government's own previous policies, or rather to the lack of them ; not only was the 1953 budget unbalanced, with a disproportionate amount going into public works, but control over the credit machine was lax. Some of the steps being taken to remedy these defects are wholly commendable ; last April's budget was meant to achieve a near-balance (although recent exchequer returns suggest that this will not be possible), and the policy of credit stringency initiated last September was reinforced in January. But there are already signs that the government may be unnerved by the number of business failures that are inevitable if the deflationary cure takes its natural course. Mr Yoshida and his ministers may yet be tempted to yield to mounting pressure from interested groups.

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Not surprisingly, Japanese leaders have been seeking scapegoats to take the blame for the current crisis. The popular choice is the United States, which is accused, somewhat ungratefully, of precipitating the crisis by halving its procurement orders. It is true that the American contracts have fallen by 47 per cent, but they still amount to the valuable total of $250 million a year. Moreover the Japanese have known for many months, indeed, ever since the truce in Korea over a year ago, that the end was coming, and they have had ample time to make ready for the new situation. Some of them may feel that, being unsecured debtors, they have the United States virtually in their pocket. But the immediate outlook as regards American aid is complicated by several external and primarily political factors. The announced withdrawal of American forces from Korea will automatically bring about a further cut in procurement orders ; but, on the other hand, funds that have become available to Mr Stassen's Foreign Operations Administration as a result of the Indo-China cease-fire may now be used for offshore purchases and other forms of aid for Japan. Moreover, the economic clauses of the proposed South East Asia defence treaty will undoubtedly be of great interest to the Japanese.

But helpful as these direct dollar infusions, supplemented perhaps by loans from the International Bank, may be, they can provide no lasting solution for Japan's real problems. The Japanese economy can be saved from recurrent crises only by the righting of its grossly unbalanced trade accounts. And it is here that Britain has a special role to play—not only on account of its own large stake in world markets, but also because of its influence with other Commonwealth countries.

Few people realise the extent of Japan's postwar trading problem. The highly industrialised Japanese economy has lost not merely its footing in the areas temporarily occupied before or during the Pacific war, but also the older markets and sources of raw materials —coal, iron ore, soya beans, cotton and others—in Korea, south Sakhalin, Manchuria, and Formosa, not to mention northern China, where Japanese economic development long preceded Japanese military adventure. To strip Japan of its conquests was both just and necessary ; but there is no avoiding the conclusion that the 87 million inhabitants of the Japanese islands (which are not much larger than the British Isles) have been confronted with an almost impossible economic task. How can it be kept within the bounds of possibility ? The Americans have a fairly straightforward brief: to direct immediate dollar aid into the Japanese economy, by way of loans, grants and offshore contracts. This, according to Mr Dulles, is on the way to being done. The Japanese themselves must assume some arduous burdens: further deflation, rationalisation of industry (with a wary eye on the resurgent *zaibatsu*), and perhaps a carefully timed and prepared devaluation of the yen. The present exchange rate (£1 = 1,014 yen) is certainly out of line, but Japan's house must be put in better order before devaluation could succeed.

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But Japan needs, more than anything else, access to markets which only British policy and influence can grant to it. What Britain can do and is willing to do will soon be put to the test. Japan's application to join the General Agreement on Tariffs and Trade will shortly be voted on, and, with powerful American support and the promise of backing from other quarters, it is now almost certain that a sufficiency of votes will be mustered. Thus mere discretion suggests that Britain should drop its obstinate opposition. Again, in January the Anglo-Japanese trade and payments agreement must be renewed ; and whatever its vocal opponents may say, the agreement has worked with fair success, without bringing in its wake the "black" perils that were so freely predicted.

Yet something a good deal more generous than mere technical agreements is needed now—something in the nature of a change of heart. The danger of economic breakdown opening the door to an anti-western government in Japan is real enough ; but it must also be appreciated how much a revival of cordial relations between London and Tokyo could do to stabilise the Far East. The British have too long been content to leave the United States to grapple alone with the complexities of the Japanese situation. Economic sense and political necessity alike now demand that Britain should not only make room for Japan in the free world, but stretch out a more friendly hand to help it take its place.

Notes of the Week

Labour and the End of EDC

THE French rejection of EDC provides Mr Attlee with an avenue of escape from embarrassment at the Scarborough Conference. Previously, there had been a grave danger that the Executive might be defeated on a straight vote about "German rearmament" ; the probability now is that it will manage to scramble through on a crooked one.

The argument within the Labour movement in the last few months has been primarily whether the party should or should not support EDC. It is true that the original Executive decision, last February, was in wider terms, and laid down as a condition that the German units should be "integrated in the defence forces in a way which would preclude the emergence again of a German military menace." Mr Attlee, in his broadcast in June, also said that if EDC failed, some other way of fitting the German contribution into western defence would have to be found. But the Executive in May went a long way towards nailing its colours to the mast of EDC—by issuing, out of the blue, a statement that EDC provided the best guarantee against the re-emergence of a German military menace. It can now claim that if EDC is shot away the party's whole course will have to be reconsidered.

For many of the waverers (among them some members of the Shadow Cabinet) such a reappraisal would be anything but agonising. It would enable the Executive to save face ; but it would not save their policy. The Bevanites and fellow travellers will strive to prevent this compromise ; they will do everything possible at Scarborough to pin the party to categorical opposition to the more direct forms of German re-armament that seem likely to follow the French destruction of EDC. But the Executive may now be able to find a way out of these difficulties by a tactic at which the platform at Labour conferences is adept: the drafting of one of those lengthy, elastically phrased, composite resolutions which can mean so much or so little—and amid which the hatchet, if not buried, at least becomes entangled powerlessly in an involved and wordy compromise.

Mr Gaitskell for Treasurer

THE final agenda for the Scarborough conference shows that nine unions and twenty-nine constituency parties have supported the nomination of Mr Gaitskell for the vacant treasurership of the Labour party. Their backing, and that of other unions (such as the miners) who have declared their support, will certainly carry the former Chancellor—and the most ardent anti-Bevanite in the party —into this key office, past the challenge of Mr Bevan. A third challenger, Mr James McGowan, from Dumbartonshire, has had the temerity to enter the field. But since he rests his claim, not on his Bevanite or anti-Bevanite standing, but simply on the grounds that he thinks he would make a good treasurer, he is likely to get short shrift.

By standing against Mr Gaitskell for this post, Mr Bevan forfeits his right to stand for the constituency section, where he has been head of the list every year since the war. This may indeed prove to be a somewhat leaner year for the Bevanites in these elections. The other five sitting Bevanite members—Mr Wilson (though it may be argued that he now belongs to a new category of Wilsonians), Mrs Castle, Mr Driberg, Mr Mikardo and Mr Crossman—should all regain their places safely. But the other leading Bevanite candidates, Mr Harold Davies and Mr Sydney Silverman, are not sufficiently well-known to be sure of making the grade. More probable winners are Mr Anthony Greenwood (though he has on many issues been a near-Bevanite), Mr James Callaghan or Sir Frank Soskice. In all, twenty-three candidates are standing for the seven constituency places. No changes of importance are likely in the trade union or women's sections.

Mr Gaitskell's arrival in the seats of power at Transport House will have to be reckoned as a political development of major importance. Unless he makes some serious blunder in internal party politics—he can at times appear not merely willing to grasp nettles but to thrust the party's nose into them—his role as third man in the party hierarchy should soon be confirmed, giving him a strong claim to the leadership after Mr Attlee and Mr Morrison. He has, moreover, a full year in which to dig himself in at Transport House, while Mr Bevan withdraws to the back benches at Westminster and to his newly acquired farm in the Chilterns. It may prove a costly year of self-rustication.

Bonn States its Terms

IT should have been clear to American and British officials that the German government would no longer accept the limitations on sovereignty contained in the Bonn Conventions. The statement issued by the Federal German cabinet on Wednesday leaves no room for hope on this point. The well-meant intention of the Americans and British to give Dr Adenauer support in the event of the French failure to ratify the EDC treaty has misfired. The Germans demand restoration of sovereignty with no limitations. They are prepared to accept agreed legal provisions governing the position of the foreign troops in the Federal Republic. These regulations would presumably give the

former occupation troops less than the extra-territorial rights written into the conventions.

The implication in the Bonn statement is that West Germany also demands the right to rearm, which was omitted from the sovereign rights granted in the conventions as revised recently by the Anglo-American study group in London. All mention of military matters was left out of the treaty when it was separated from its twin, the EDC agreement. The Germans demand sovereignty, including *Wehrhoheit*, and also the right to have diplomatic relations with the Soviet Union, a new freedom that is more attractive to some of Dr Adenauer's critics than the right to rearm. One of the main reasons, indeed, why there has been a growing determination in Bonn to reject partial sovereignty is the thought that it would actually hinder new moves towards reunification of the Federal Republic and the Soviet Zone.

It is clear that Dr Adenauer is no longer the sole arbiter of German policy. But he has not given up leadership. This can be seen from the Cabinet's opening suggestions, that consultations should now take place on European unification "with all willing countries" and on military integration with the countries that ratified the EDC (and, it is implied, with Italy). At first sight, it might seem that the Germans are tactlessly flouting France, particularly by suggesting that talks on the Bonn conventions should be held without that country. The proposals for new talks on European unity and military integration would, it is true, have come better from the Brussels "front" of EDC supporters as a body, just as it would have been better if Mr Dulles had left the rump EDC powers to call for a meeting of the Nato Council.

But there are several reasons why the German *démarche* cannot be condemned. The French are not excluded from the proposed talks on unification. Secondly, for the EDC ratifiers to hold military talks would follow the precedent set when this group, through M. Spaak, invited the French to Brussels. Finally, it is logical for the Germans to propose talks with only the United States and Britain on the Bonn conventions, because it was those countries alone who drew up the revised treaty, to be presented for approval to the French and Germans in the event of the EDC's demise. The inescapable fact remains that France has abdicated the leadership of Western Europe.

Herr Ollenhauer Gloats

THERE is something that turns the stomach in the spectacle of Herr Ollenhauer, a small man in all senses of the word, crying "Failure!" at Dr Adenauer, the statesman who has striven so valiantly to save Germany from neo-Nazis and Communists alike. The leader of the German Social Democrat party did not wait until the vote in the French Assembly to proclaim that the policy of western integration had suffered utter shipwreck. He terms it the policy of "Little Europe," a phrase that vaguely implies that there is a Greater Europe which might be united to better advantage. Not for the first time in political warfare, a misleading phrase has been invented which can do great damage to a cause—in this case, the cause of uniting the only countries in Europe that are neither neutral nor subject to Communist rule.

Herr Ollenhauer calls for a radical revision of West Germany's foreign policy and a fresh conference with the Russians. So does Herr Oberlaender, Minister of Refugee Affairs, head of the Refugee Party and former Nazi. The agreement between them is neither fortuitous nor unique. Nationalists of all parties, in the government and out of it, are now calling for a new look at a policy which has been uncompromisingly and exclusively based on the EDC. The leaders of both the Socialists and the Refugees both add that they are anti-Communist and that Germany belongs to the West; but it is hard to believe that they will support an alternative to the defence community that would link Western Germany firmly into a strengthened North Atlantic alliance.

When Herr Ollenhauer demands that the alternative should be a united Germany and a Greater European alliance within the framework of the United Nations charter, he is not thinking of an enlarged Nato. He is making an illusory proposal which is dangerous, because his phrases—and those of M. Herriot in the French Assembly—are very like those of Mr Molotov. Amid the haze of soothing words, the man-in-the-street is apt to forget that the Social Democrats still demand, and Mr Molotov still rejects, free elections as a preliminary to reuniting Germany.

Allies Seen from Washington

IT is easy to forget that in American eyes "alliances" have only very recently become respectable and that the concept of "allies" in peacetime is one which is still not fully developed. Partners of the United States would therefore do well to listen-in when Americans talk to themselves about the meaning of the relationship, as President Eisenhower did to the American Legion Convention on Monday, and as an Assistant Secretary of the State Department did the previous Friday.

The fact that the Administration, on the eve of the rejection of the EDC, took the trouble to talk at length about America's partners to a body as powerful and as nationalistic as the American Legion, and did so in terms not of impatience but of understanding, is in itself important. The idea that the United States could go it alone was flatly rejected, and the myth that alliances were only of benefit to the foreigner exploded. The suggestion that allies, even small allies, behave or should behave like satellites was firmly knocked on the head. The President and the State Department spokesman both made it quite clear that the American concept of alliance or partnership rests squarely on respect for the differing opinions of one's partners, and on the belief that there is a fundamental community of interest between these and the United States which transcends minor differences of view. These points cannot be made too often, and to have them said so forthrightly at this particular time is warmly reassuring.

Although the necessity for continuing co-operation with other like-minded countries has been reaffirmed in unequivocal terms, the concept of partnership that seems to be emerging is one that imposes certain limits on the nature of the relationship that any country, or group of countries, can reasonably expect to establish with the United States. Europe has been told politely but firmly that, although its military and industrial potential and strategic location make it the heart of the free world security system, the American approach to partnership is a global one in which no area comes first. Similarly, there is little encouragement for those who have hoped that Nato might gather strength by acquiring powers that would involve new limitations on national freedom of action. Instead, there appears to be developing the idea of a partnership which is genuine—unlike the Soviet satellite system—but in which many countries have to share: the Nato countries, the Rio Pact countries, the Anzus countries, the Philippines and Japan, and soon, it is hoped, a number of the South East Asian countries. Something loose and general is preferred to something tight and special. It is a relationship which relies for co-ordinated policy on like-mindedness rather than "supra-nationalism," and which reserves maximum freedom of action for the United States.

Landlords' Day

LAST Monday was what was described in the left wing press as Landlords' Day. Under the Housing Repairs and Rents Act landlords are now able to claim a "repairs increase" on controlled rents, amounting to twice the statutory repairs deduction, up to a maximum of twice the gross annual value. The first date on which the new rent is payable is six weeks from the serving of the notice.

The new Act is a good illustration of the very high degree of literacy that is required to cope with modern life. The Stationery Office has done its best to help, by producing two 4d. pamphlets—one on "Repairs and Rents" and one on "Grants for Improvements and Conversions"—which set out its intricate provisions in simple question-and-answer form. Even if he can understand these, however, the tenant will need to take a certain amount on trust. It will be easy enough to get a certificate from the local authority if his home is still in a state of obvious disrepair; but if he wishes to question the landlord's statement that he has satisfied the expenditure test, it means going, or being taken to, the county court—a tribunal which he may find more forbidding than the Rent Tribunals that have protected him for so long. He may also get a shock when he sees how some landlords have calculated service charges—on which, however, the final arbiter is the Rent Tribunal.

The rise in rents is likely to be gradual. Some landlords are already having trouble with newly-formed resistance movements among their tenants. Several large property companies have been getting a "voluntary contribution" from their tenants, and so have little to gain from the Act, or will not show unseemly haste in asking for more. With one exception, the shares of property-owning companies have shown little change this week. Landlords will certainly have to work much harder for an increase than landlords in Scotland, where a straight addition of 40 per cent is permitted. These belated increases will not be sufficient to stimulate the building of houses and flats to let. But they may do a little to relieve the log-jam of rented accommodation, the jealous and rigid grip on valued squatters' rights, that has caused so much misery and immobility in recent years; and, taken with the provision of grants for improvements and conversions, they may help to check the increase in slums that has been the other principal social contribution of the Rent Restriction Acts.

On Boarding Buses

THIS week's case of the man who boarded a bus in London while it was stationary at traffic lights has become a minor incident in the never-ending war between freedom and regulation. To Londoners, the facts of the incident will be familiar enough. The regulation stopping places for buses are hemmed in by queues. A bus stops in traffic and an intending passenger, more enterprising or more anti-social than the rest (the choice of adjectives at least still is free), boards it. The bus conductor, a stern moralist, intercepts him and claims that all the vacant seats are, in the light of his conscience, reserved for those at the head of the queue at the next stopping place. More often than not the offender (if offender he be) bows his head in shame at his lapse in defying the national precept of "Fair Shares for All," and dismounts.

The West African gentleman who this week appeared at Marlborough Street did nothing of the kind, whereupon the conductor suspended the bus's journey, called the police, and the African was brought before the Magistrate's Court charged with insulting words and behaviour. That, the Magistrate later said, the conductor had no more right to do than a dustman; the Court did not accept counsel's argument that a man who mounts a bus otherwise than at a recognised stopping place is guilty of an act of trespass (which, in passing, is rather an extraordinary word for the representative of a public authority to use in relation to a public vehicle dedicated to the public service). The London Transport Executive, in an aggrieved statement, later intimated that it will continue, unsupported by regulation, to allow its servants to turn away customers if they feel like it. Common sense, it said, will continue to be used—words which, when they come from a monopoly, commonly mean that the monopoly intends to continue its practices whatever a mere magistrate may say.

INDEX

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The moral debate on this issue has become unnecessarily confused. Of course it is wrong for active young men to jump queues in order to get home early; there are the elderly, the crippled and the women with small children who cannot board buses at traffic lights and who also wish to get home. But if there is to be any provision for compulsory standing in queues it is for the Minister of Transport to make it, not the London Transport Executive. The Minister is answerable to Parliament; the Transport Executive can hardly be said to be answerable to anyone—and everybody knows that bus conductors sometimes repel boarders not in order to protect the queuers, but because the disorderly boarding of buses offends against their views of how private individuals should behave. It is this assumed power in the hands of minor officials that is intolerable; the right to board buses when one feels like it, provided one does not harm anybody else thereby, is one of the symbols that distinguishes Britain from Prussia. The Courts will, and London Transport should, continue to remember it.

Comfortless Committee

WHEN the committee on the organisation and finance of adult education was appointed last summer it seemed a convenient way out of the Ministry of Education's impasse: a cut of 10 per cent in the estimates had just been stayed by a storm of public protest. But some awkward chickens have now come home to roost.

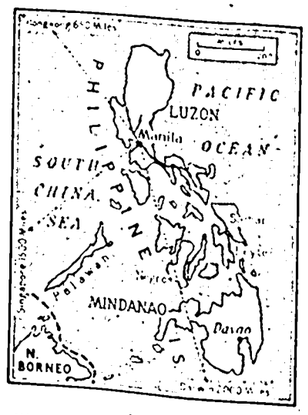
The present arrangement is that the Ministry pays a grant, amounting to not less than three-quarters of their teaching costs, to approved "responsible bodies" providing adult education. These bodies are the extra-mural departments of universities (which also get money from the University Grants Committee) and certain voluntary associations, of which the most important is the Workers' Educational Association. In addition, since 1944, local authorities have had to "secure the provision of adequate facilities" for adult education. Suggestions for simplifying these intricate arrangements, which in 1951-52 provided classes for 150,000 students at any one time, have not been lacking; some people have argued that the University Grants Committee should finance all the extra mural work done by the universities and that the local authorities should finance the rest.

The committee, however, is convinced that much would be lost if the present partnership were dissolved. To cut out the WEA would be to lose a missionary zeal; and to cut out the Ministry, by abolishing its direct grants to responsible bodies, would be to lose coherence. The committee's main recommendation is that the Ministry should provide more positive co-ordination. It suggests that grants should no longer be given automatically up to a ceiling determined by what the responsible body received in the previous year; but that discrimination should be exercised according to the content of courses, standards of teaching and the needs of each area. To offset this increase in the Ministry's influence, the regulations should be made more flexible; for example, the limit on teachers' salaries qualifying for grant should be lifted. The committee agrees that fees paid by students should be increased; but it says that, even if these fees were doubled, they would only bring in an additional £20,000 a year—and in 1951-52 the total cost of adult education was nearly £700,000. All this sounds very reasonable, but it is an odd report for a committee that was set up against the background of an economy drive; its proposals would involve the Ministry in higher expenditure, as well as in a new and heavy burden of work.

No Puppets in Manila

NOT since the battles of the last war have the Philippines been so prominent in the headlines. The holding of the South-East Asian conference in Manila and the presence there of Mr Dulles underlines the fact that the Philippines, though they may often be forgotten, should not be ignored. Standing far enough from the Asian mainland to be unaffected by the movements of Communist land armies, these islands are nevertheless part of the South-East Asian pattern and an important link in the defence chain of the Western Pacific.

Opponents of the whole idea of a South-East Asian alliance between local states and the Great Powers customarily dismiss President Magsaysay's regime in Manila as a mere puppet government. This is far from the truth. Although opinions vary about its efficiency and integrity, it has wide and genuine popular support. It suffers from no more than the natural disappointment that was bound to follow the inflated hopes which the energy and reputation of Mr Magsaysay had fostered. In sharp contrast to the views of the Colombo powers, the opinion in Manila is that the closer Seato resembles an automatic, closely-knit military alliance on the Nato model, the better.



In this the Filippinos go considerably further than Mr Dulles, and it is not because he tells them to. Some forthright statements have lately come from them. They emphasise exactly the kinds of points about Communism that anyone who has suffered from it knows to be true; although the Communist-led Hukbalahap movement is now negligible, this victory has not been achieved without great effort. At the same time, they are categorical about "colonialism or imperialism." President Magsaysay asserts candidly that it is in the Philippines' best interests to be a partner of the United States, even though neither he nor any other political leader could accept either dictation or interference by the Americans in internal affairs. The Filippinos, indeed, feel towards the Americans much as the Indians feel towards the British—and for the same reasons.

Scene Shifters in Indo-China

THE easing of censorship on reports from Vietnam has not produced an immediately clear picture. It is rather as if the curtain had been raised on a half-darkened stage, on which the stage manager and his assistants are still busily rearranging scenery, furniture and properties. It is not even easy to see who is in charge of all these confused movements. Tuckets in the wings announce the imminent but imprecise return of Bao Dai. His prime minister, Ngo Dinh Diem, is still far from being master of the situation. Former prime ministers—who are almost as thick on the ground in Saigon as in Paris—are eddying around in disturbing currents; they include the intransigent Nguyen Van Tam, whose son is still chief of staff of the Vietnamese army, and the wily Tran Van Huu, who has been talking to the Viet Minh too cordially for other politicians' taste. Viet Minh agents are hard at work almost everywhere; evacuees from Tonking are telling tales of woe on arrival in the south, while those who have chosen to remain in the north seek to make their peace with Ho Chi Minh in good time; and both the Viet Minh and the Vietnamese armies appear to be suffering large-scale desertions.

Even in French quarters there is little clarity as to future intentions. Admittedly, General Ely announced this week that France's policy was one of both complete independence and complete support for the Vietnam state; he spoke of a final transfer of power by the end of the year, and of the building up of a Vietnamese army strong enough to permit the withdrawal of most of the French expeditionary corps. The general also assured the country that France had no intention of treating Ho Chi Minh's regime as equal in stature to the government in Saigon, which remained the legal government of Vietnam. But many observers were less interested in General Ely's statements than in the movements of M. Sainteny, the French representative lately sent to establish contact with the Viet Minh. It now appears that M. Sainteny is to return to Paris for fresh consultations before paying any personal visit to the Communist headquarters. Neither the Saigon politicians nor the hopeful businessmen who want to hold on in Hanoi and Haiphong have as yet any real inkling of his powers or prospects.

Frothblowers in Canton

IN the days when members of the Labour party rejected peaceful co-existence with Falangists, Fascists and Nazis there was a well-known saloon-bar chorus—known as the frothblowers' anthem—that had the refrain "The more we are together the merrier we shall be." Now Mr Morgan Phillips, of all people, has revived it for political use during his visit to the Soviet Union and China. In a statement that he recorded for Moscow radio to broadcast to this country on August 12th he said:

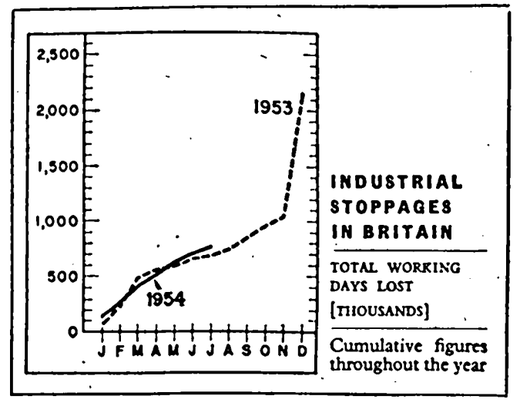
> I believe that if people everywhere see each other in their homes, in their factories, in their mines and elsewhere we will see that we all belong in fact to one great happy family. At least, it is one family; let us try and make it happy.

Similar sentiments, if less convivial in tone, were expressed in April 1951 when Mr Herbert Morrison made his first public speech as Foreign Secretary. He declared then that most problems could be settled by getting around a table, only to find, for example, that Dr Mossadegh could not be made to see reason even in the comfort of his bed. Why is it that some Labour politicians find it so difficult to maintain a consistently realistic and unsentimental view of foreign affairs?

There was, perhaps, some excuse for optimistic statements in Moscow, where foreigners have found a more friendly spirit than for a long time past. But what excuse can Mr Morgan Phillips proffer for the tone of his parting press conference in Canton? He was bound to express quite genuine gratitude for the courtesy and patience shown to the Labour delegation by the highest in Peking, who had refused to have any serious dealings with the accredited British representative. He was entitled to express admiration for the effort to modernise China and a wish that its self-imposed isolation should come to an end. But he was not bound to leave his audience of journalists with the impression that only "great ideological differences" separate the new China from the democracies of the West; nor would it have been grossly discourteous to remind the Chinese that British friendship with the United States transcends all the differences that Mao Tse-tung has tried to exploit. Communist visitors to this country never apologise for their special loyalties, and would be regarded as either naïve or dishonest if they did. Mr Morgan Phillips missed an opportunity, which is unlikely to recur, to speak bluntly about the real differences between people's democracy and parliamentary democracy. Perhaps he will be more forthright in Japan, where there is at least some sincere attempt to imitate British models.

Observers will be Obstructed

THE Swiss and Swedish representatives on the Korean Armistice Commission have decided to return home shortly from what they have described as their "abortive mission." The relative degree of success obtained by the



special commission under Indian chairmanship for dealing with the repatriation of prisoners of war—even though the Communists to the very end objected to the release of the prisoners who refused repatriation—has diverted attention from the measures taken on the Communist side to prevent the Commission from performing the functions assigned under the terms of the truce in Korea. It is composed of representatives from Switzerland, Sweden, Poland and Czechoslovakia, and it is supposed to assure itself by direct observation that both sides are honouring their obligation not to reinforce their strength in men, material and installations while the truce is in force.

In the United Nations zone the Commission has been given all facilities for carrying out its task ; but in North Korea its movements have been so restricted by military regulations that it has been impossible for it to discover whether the truce terms are being kept or not. It is believed that the Communists have in fact built up new stocks of munitions and supplies since the armistice was concluded. In any case the present situation means that the Czech and Polish delegates are free to observe everything in South Korea and report it to Pyongyang, while North Korea is covered with a mantle of concealment, as if the war were still going on. In the circumstances it is felt that there is little point in having an Armistice Commission at all, and the Swiss and Swedish delegates, who have done their best to carry out their duty as neutrals, now desire only to bring their mission to an end as soon as possible.

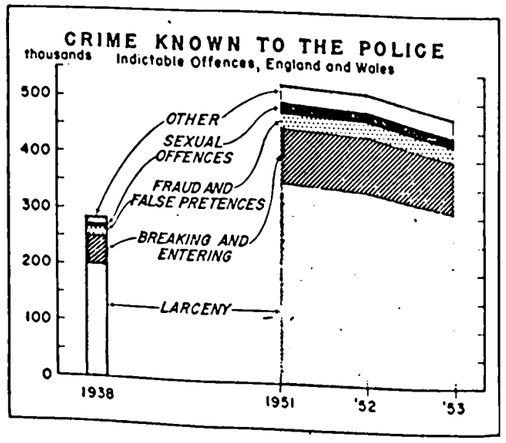
The United Nations command in Korea is not unduly perturbed about any strengthening of the Communist military position there, for it holds the view that the maintenance of peace there ultimately depends not so much on the local relation of forces as on Peking's knowledge that any surprise attack would now bring direct retaliation against China. The obstruction of the Armistice Commission's work is, however, a symptom very ominous for the future elsewhere ; the settlement made at Geneva for Indo-China depends on a neutral commission's observation of the performance of undertakings which are not only military, but also political, and much more complex than those involved in Korea. Unless neutral observers are to have more scope in North Vietnam than they have had in North Korea, the Indo-China agreement will soon become unworkable.

The Age of Crime

THERE are encouraging signs that the crime wave is receding. In 1953, for the second year in succession, there was a fall in the number of indictable offences, just under half of which were "cleared up." It is satisfactory that this fall should have been principally due to there being fewer juvenile offenders, particularly in the 8-14 age group. And as the favourite juvenile crime is "breaking and entering," it was this offence that showed the greatest reduction, with larceny second. But two-thirds of all the breaking and entering was still perpetrated by children under 17.

Some interesting comparisons can be made between male and female delinquency. Women are infinitely more law abiding: only 15,000 of them were guilty of indictable offences, compared with 100,000 men—76 females for every 100,000 aged 8 and over, compared with 549 out of every 100,000 males. The most criminal ages for males are the 'teens, especially 13 and 14 ; in 1953, two out of every 100 boys of these ages were found guilty of an indictable offence. With girls, however, the criminal ages were 16 and 17—although even then the proportion of offenders was only 0.2 per cent of each of these age groups. Both sexes settle down to a comparatively blameless old age.

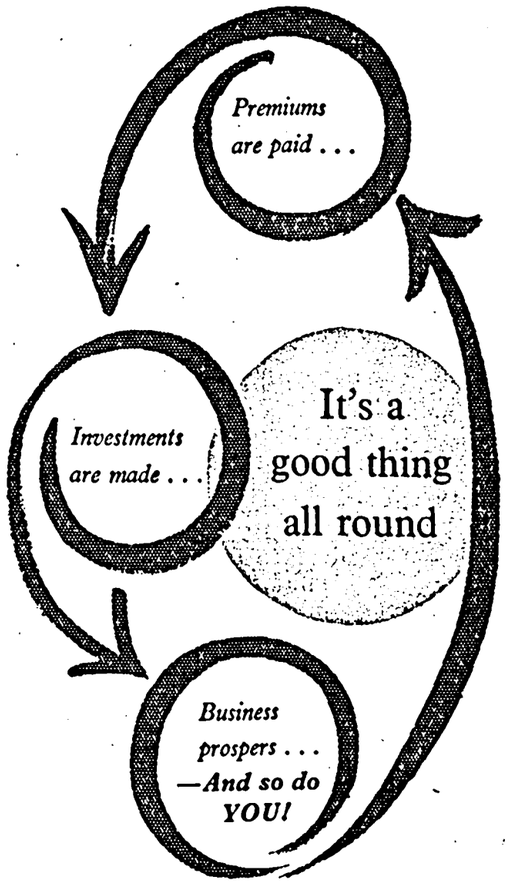
Despite the general reduction of indictable offences, some types of crime increased. There were more cases of violence against the person ; and those who bewail the increase of



homosexuality should be equally concerned about the even bigger increase in rape and other offences against females, which were nearly four times as numerous as in the average of the years 1930-39. This startling increase will not fall directly within the purview of the official committee that has just been set up to inquire into the law and practice relating to homosexuality and prostitution ; but it forms a part of the background that the committee should not ignore.

Check to the Tribunals

THE Minister of Agriculture has moved swiftly to remedy some of the defects revealed by the Woollett case, which followed so disconcertingly on the heels of the scandal of Crichel Down. In that case, it will be remembered, the High Court declared that certain proceedings before a Land Tribunal were abortive because the Tribunal's members had not been properly appointed. New statutory instruments that were issued this week will effect two changes in these tribunals. First, questions of law that arise in any matter before a tribunal must now be referred to the High Court, should either party in the proceedings so require or should the High Court itself so direct. Secondly, the method of appointing the members of these tribunals is to be changed. At present, the chairman is appointed by the Lord Chancellor, the two other members by the Minister. In future, the two other



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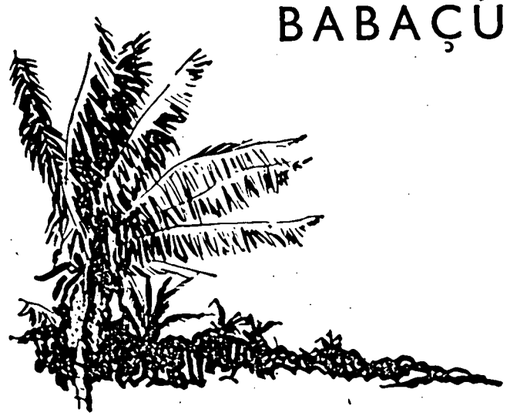
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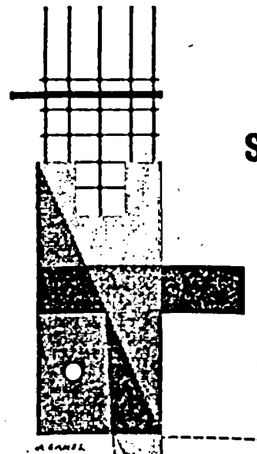
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members will be appointed by the chairman; and will be selected from panels of names drawn up by the Lord Chancellor, from lists put forward to him by representative bodies.

The decision to give a right of reference to the High Court about points of law is obviously a step in the right direction. Points of law may not arise very frequently; but the fact that the High Court is now given power to intervene if they do should help to restore confidence in the tribunals themselves, among those whose interests are completely subject to the tribunal's decision. But in the long run the decision to give greater responsibility to the Lord Chancellor in the appointments to the tribunals may be the more important. It will give at least one set of administrative tribunals a greater weight of independence of mind. It is the dominance of the Minister, himself an interested party, that is the root cause of the public fear of these bodies. What is being done in the case of Land Tribunals can be applied equally well, some day, throughout the whole network of ministerial bodies. May that day be speeded.

Rather More Irishmen

OUR correspondent in Dublin writes: In 1948 the Irish government appointed a commission of inquiry into emigration and population trends. It is surprising that no previous investigation had been made in a country where emigration is an institution and commissions of inquiry so common. Few things have influenced economic thinking and aspirations in Ireland more deeply than the fact that the population declined uninterruptedly for a full century after the famine of the 1840s. Emigration was the most obvious agent of this decline; and, before 1921, the policy of Sinn Fein relied heavily on industrialisation to stem the flow.

It is therefore a point of some political significance that between 1946 and 1951 the population increased, although only slightly, for the first time since the famine. This was not, however, the result of any decrease in emigration—which indeed was proportionately greater than at any time since the exceptional inter-censal period 1911-26. It was due to a birth-rate that is rather higher than the average in Western Europe (21.9 per 1,000 in 1941-50), which is keeping the net reproduction rate well above unity. This high birth-rate is the result of a very high fertility of marriage accompanied by a fantastically low marriage rate (only about one-third of that in the United Kingdom). The late age at marriage, and the high proportions who remain unmarried, still constitute a grave social problem.

In the new circumstances, emigration may cease to be an agent of population decline; but it is not likely to disappear so long as there is freedom of movement across the Atlantic and the Irish Sea. That freedom is impressively illustrated by the manner in which, in the early 1930s, emigration turned from its traditional course towards the United States and flowed instead to Great Britain. In 1931 there were 924,000 persons of Irish birth living in the United States and 505,000 in Great Britain. By 1940 the number in the United States had fallen to 678,000; and by 1951 the figure for Great Britain had risen to 722,000. The Irish have had what other peoples might call the good fortune to have access to two great labour markets. Nevertheless the commission pointed out that the Irish economy could, if developed, support a rather larger population than it does today. To that extent the report encourages the industrialisers; but the problem is as much a matter of skills and organisation as of capital. In the meantime, emigration permits those who remain in Ireland to enjoy a leisured if anachronistic way of life.

Aftermath in Brazil

PRESIDENT VARGAS has been laid to rest in his native city of Sao Borja. Even in death he aroused fierce passions and the army and police have had to quell pro-Vargas riots in many places. But the country has returned quickly to a sense of sober anxiety in the face of economic crisis. Brazil's foreign payment situation is critical with immediate debts of $800 million and longer term debts of $1,200 million outstanding. If the dollar crisis is not to become desperate, Brazil must sell some 10 million bags of coffee in the next three months. The new finance minister, Sr Guden, has already stated that the coffee problem is his most pressing concern. In order to stimulate exports, particularly to the United States,

Harmful Wine Duties

In 1825 the duties were reduced to 7s. 3d. on French wines per imperial gallon, and 4s. 10d. on other wines, except Cape wine, the duty on which was 2s. 5d., and there being at that period a great flush of prosperity in the land, the consumption increased rapidly for a short time, and rose between 1824-6 to 6,366,025 gallons, as against 4,712,981 gallons in 1821-3. The population had then increased to 22,300,000, and this increase gave only a consumption of .285 of a gallon per head, as against .221 of a gallon at the previous period of the lowest consumption. In 1831 the duty was further reduced to 5s. 6d. per imperial gallon; but the consumption of wine since has not kept pace with the increase of population. . . . So that while hardly another species of import—certainly no other species of beverage—has declined, and almost every one has increased wonderfully—particularly coffee and tea, which have fallen very much in price, while the duty has been reduced—wine has declined, and gone comparatively out of use. The old custom of taking away three bottles of port from table, or a gallon of claret, has happily died out, but it has not been followed by the diffusion of a moderate consumption of wine, so advantageous to the health of the people, to the extension of trade with the neighbouring countries, and to the general prosperity. Yet there is evidence in the comparatively large consumption of wine before 1800, and in the extension of the consumption on the first reduction of duty in 1825, that the people only require to procure wine as cheap in comparison as other beverages to use with moderation considerable quantities. There no longer prevails among us those habits of intoxication which might make a careful though prudish and mistaken legislator averse from reducing a duty on wine, and there is no longer a reason, either moral or financial, which should prevent a still further reduction or abolition of the duty.

The Economist
September 2, 1854

shippers are being offered a bonus consisting of the difference between the official and the Rio free rate of the currency equivalent to 20 per cent of the value of their shipment.

The real question is whether Brazil can improve her balance of trade situation without aggravating even further the inflation bequeathed by the Vargas regime. President Vargas doubled and sometimes trebled wages on the lower end of the scale without trying to keep prices down. The government of President Cafe Filho must introduce a period of economic austerity without incurring major unrest among the poorer classes. The nomination of Senator Guimaraes, a man of known radical inclinations, as Labour Minister is intended specifically to placate the followers of Vargas. Other portfolios, however, have had to be given to men more or less associated with the military in its anti-Vargas coup.

The political and economic balance in Brazil remains precarious. Everything depends on whether or not Brazil's creditors will help and stimulate economic development. The Germans have been quick to grasp their opportunity, as have been certain American interests such as those of Mr Kaiser. The British interest should not be forgotten, particularly in view of the fact that Sr. Guden is an old and trusted friend of this country.

Petrov in the Shade

THE Petrov inquiry has gone off on an unexpected and unfortunate tack. In its opening stages it did not spring any particular surprises; but, in spite of some efforts by the Labour Opposition to make political capital out of it, it promised to give the Australian public an illuminating picture of the whole range of Soviet undercover activities in their country—from the organisation of a fifth column to operate in time of war to the collection of tittle-tattle about obscure informers.

In recent weeks, however, it has concentrated on one particular point—the authenticity and authorship of Document J, one of the papers handed by Petrov to the Australian security service. In the process the Royal Commission has become deeply and most regrettably embroiled in Australian politics. Moreover, the doubt cast on part of the evidence presented by the chief witness naturally extends to everything else that he has told the commission; from this state of affairs the Communists are clearly the chief gainers.

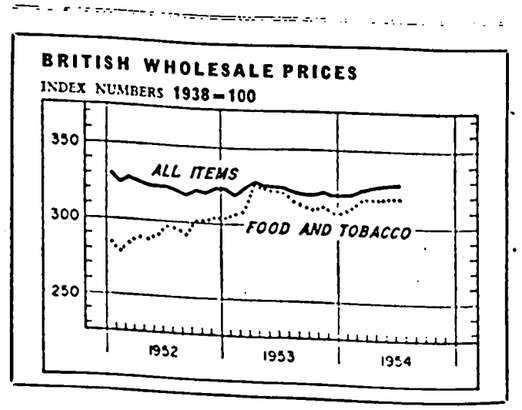
Some of the miscellaneous information and gossip in Document J—it does not apparently include any defence secrets—is alleged to have been supplied by two members of the staff of Dr Evatt, the leader of the Labour party: and it was the latter's decision to undertake the legal defence of these two men, and the manner in which he is carrying out this task, that has turned the inquiry into a first-class political issue. Dr Evatt's decision, which was taken without consultation with his Labour party colleagues, has met with a very mixed reception within an already divided party; and if he fails to win his case, he may find that he has given his enemies fatal ammunition with which to shoot him down from the leadership of his party.

Moreover—and this is more important—Dr Evatt is not content to try to prove that Document J was not entirely the work of an Australian Communist journalist, as Petrov maintains, but was really concocted by the latter in order to increase his value to the Australian security service. If Dr Evatt believes this to be true, it is clearly his duty to do his best to prove it. But he goes further and maintains that the document is part of a deliberate conspiracy to injure him as leader of the Opposition by suggesting that members of his staff had been informers to the Russians. This is thrusting the Royal Commission into the political arena with a vengeance, and it is difficult to see how Dr Evatt's legal duty to his clients makes such action necessary.

Motorists in the Courts

IT might be expected that with the increase in the number of vehicles on the roads the number of prosecutions for motoring offences would rise steadily also. It might also be expected that as the congestion on the roads gets worse, with scarcely any provision of extra parking places, there would be a steady increase in prosecutions for obstruction and parking offences.

The facts, however, are otherwise. In 1953 307,000 were found guilty of motoring offences; this suggests that nearly one out of every twenty people running private cars was brought before the courts last year, but the number was still 12,000 fewer than in 1952, although 36,000 more than in 1950. Just under 53,000 of the total were parking or obstruction offences. Cases of reckless or careless driving, at 28,700, have risen by 5,000 since 1950. Driving under the influence of drink was found in 2,490 cases, having risen year by year from 2,261 in 1950. But almost one out of every three people charged with drunkenness was acquitted in 1953, compared with only one in five in 1950. Fines were the usual punishment for this offence; only 155 people went to prison without the option of a fine. This may seem to indicate undue leniency towards people who so readily risk the lives of others. But it no doubt reflects the opinion of the courts, supported by the highest medical authority, that it is only rarely that an accident can be positively attributed to the driver having taken alcohol. The commonest form of motoring offence is still speeding in built-up areas, which was responsible for more than a fifth of the £690,000 extracted from motorists by way of fines last year.



Letters to the Editor

It Need Not Happen

SIR—In your comments last week you drew attention to the fact that a statement attributed to Dr Adenauer in our pamphlet, *It Need Not Happen*, has since been repudiated by the German Chancellor. Commenting on this, you accuse my colleagues and myself of telling "a straight though undeliberate lie." In order that your readers may judge fairly whether your charge of lying is justified, we should like to state:

(1) The attribution of these words to Dr Adenauer was first made by M. Jules Moch in the French Assembly, was printed in more than one British newspaper (without repudiation) and occurs in Mr James Warburg's book, *Germany Key to Peace*, from which we took it.

(2) When our pamphlet was called to his notice, Dr Adenauer—for the first time, as far as we know—denied that he had used the words. The statement on his behalf, drafted by his personal secretary, was printed as prominently as possible on the front page of *Tribune*, and instructions were at once given that the necessary correction should be made when the pamphlet is next reprinted.

As the only two signatories now in London, we accept Dr Adenauer's statement on behalf of our colleagues, and in the new edition the misquotation will be replaced by the words he used on the night of September 7, 1953, to sum up the significance of his electoral victory. They run:

> Instead of reunification, let us rather talk about liberation, liberation of our brethren in slavery in the East. That is our aim, and that we shall achieve—but only with outside help.

Dr Adenauer has been challenged to repudiate these words also. So far there has been no reply.—Yours faithfully,

R. H. S. CROSSMAN
HAROLD WILSON

House of Commons

Shapeless Europe

SIR—In your article of August 28th you say that the supreme object of allied policy in Europe is "to win Germany on to the western side."

May I be permitted to disagree with you. Surely, the main object of allied policy should be to preserve peace and to strive to make another war impossible. This present Anglo-American policy to insist on German participation in western European defence appears to me to be almost impossible to carry out in face of French objections. The French, and not the British and certainly not the Americans, have far more right to be heard on this question. France, and not the others, except Russia, has been overrun several times by German armies, and she suffered German military occupation. A country, like Britain, that has never suffered invasion by a brutal invader, cannot understand what military invasion really means, the horrors, the sufferings, and the anguish, of the invaded country. To me it is the most astounding thing that there is a single Frenchman who is willing to see a rearmed Germany. Lord Russell's book will certainly increase British reluctance to place arms in the hands of a nation which has perpetrated such incredible brutalities and murders. Of course, the German nation as a whole is fully responsible for what was done during both world wars.

Why should such a fuss be made about the Germans? Pro-Germanism seems to be a special disease amongst Anglo Americans. President Roosevelt certainly aimed at a Europe with a totally disarmed Germany. He foresaw a neutralised Germany, and he was willing to co-operate with Russia. But his successors have completely reversed the policy of that great man. So why not revert to Roosevelt's policy and make a really serious approach to Russia? Nehru has said that it is either co-existence, or war. The real trouble is that America does not understand what war means, and many people believe that American policy is warlike policy.—Yours faithfully,

AUGUSTUS VINCENT

London, S.W.1

Truce in Babel

SIR—Your note of August 14th, to my mind, presents the problem of broadcasts to the countries of the Soviet bloc in reverse.

First, it tries to create the impression that there is a certain comparability in Soviet broadcasts to the West and Western broadcasts to the subjugated countries, and at the same time accuses the latter of "going on punching where it hurts." One could say with great accuracy that the informative value of Soviet broadcasts to the West is next to nothing. On the other hand, as one knowing well the operations of Radio Free Europe, Voice of America, the BBC, etc., I am in a position to say that although these broadcasts are prepared in a propaganda style, their contents serve the truth. One should remember that at present the West has practically no means of informing people behind the Iron Curtain other than the radio. Thus, these broadcasts represent above all the good service of informing people about the situation in the West, and in addition give them the opinions of which they are deprived.

While in the West nobody, or practically nobody, listens to the Soviet radio—in Poland, Czechoslovakia and even in the Soviet Union, Western broadcasts are an everyday need. They keep up morale, bring at least a vague hope and help to keep the people within the sphere of European culture.

Furthermore, it creates a false picture to say that Moscow, through its broadcasts, gives valuable directives to the Communists working in the free world. In fact, Moscow does not have to resort to the medium of radio; it sends its instructions through secret channels of Communist parties in the West, and distributes them via the practically unrestricted Communist press or the many fellow-traveller organisations.

I felt particularly worried about the suggestion in your article that the initiative for the "truce in the air" should come first from the West, in the name of a policy of co-existence. Co-existence is but a current political slogan which is currently maintained by Soviet policy, but will undoubtedly be abandoned as soon as it has served its purpose. For the West to accept this slogan as a basis for some permanent re-orientation of its policy, would be equivalent to building on shifting sands. It would be most unwise, in the name of such a slogan, to deprive the subjugated nations of the remaining links between them and the free world.—Yours faithfully,

BOLESLAW WIERZBIANSKI

International Federation of Free Journalists, London, W.2

[It was not suggested that all broadcasts to Communist-controlled countries should stop. It was proposed that Communist governments should be invited to restrict their broadcasting abroad to news and entertainment and that western governments should cease encouraging behind the iron curtain hopes that are in contradiction to the declared aims of American and British policy.—EDITOR.]

Needless Scarecrow

SIR—With reference to your article of August 21st, scratch the surface of its polished prose and what do you find—an ugly threat to the Labour party. In effect you say to the Labour party: "When you are democratically elected to power for goodness sake do not try and practice what you preach or else the business interests will sabotage your programme." Instead of reprimanding the business interests for their lack of patriotism and obvious dislike for the democratic process you appear to sympathise with them. Indeed what a lesson you give in the workings of democracy!

It is the old story of a capitalist minority using every undemocratic device to stall socialism. Before the war they were once led by Hitler and Mussolini. Now *The Economist* does its best.—Yours faithfully,

Manchester W. E. BAUGH

Books & Publications

Bureaucrats in the Back Room

GOVERNMENT AND SCIENCE.
By Don K. Price.
New York University Press. 212 pages. $3.75.

CAN a society in which more than half the scientific research that goes on is paid for by the government and devoted broadly to defence remain, in the long run, free, recognisably capitalist, and progressive? And what role can science be expected to play in the government of such a society? The United States and Britain, today, fall into this category as well as Russia—where the problems of state patronage of science, though probably also considerable, differ somewhat. In America and Britain these questions of principle have often, and sometimes dramatically, been posed, but seldom seriously discussed. Mr Price's book is a useful American contribution to such discussion.

In 1952 the Federal Government provided about $1,640 million out of the $2,930 million spent on research and development in the United States; in Britain the proportion financed by the state was probably of the same order. The extent to which research has become dependent upon state support is more generally appreciated in America than here and it has there aroused anxiety among critics of business, businessmen, and scientists.

The first group of American critics has complained that under this system business—and particularly big business—profits from technological advances paid for by the government, notably in "by-products" from defence research; the vexed question of patent rights in American nuclear engineering is a current example. Some businessmen, on the other hand, have complained that this government finance, provided from taxes to which they contribute heavily, is applied to introduce an expensive and inefficient form of administrative control over the research done in their laboratories. Many scientists have complained that the security measures necessary in most government-financed research, and hence in a growing proportion of all research, hinder the free cross-fertilisation necessary to effective scientific progress; and that the bias towards applied science inherent in defence research may starve fundamental research of brains and resources.

All three groups of critics, finally, might join in questioning whether this concentration upon defence research may not prejudice progress in fields they would consider economically or scientifically more "natural." It is not easy for the Western-educated citizen to get used to the pre-emption for defence of about 10 per cent of the national product and about 50 per cent of the national research effort, as a fact of life in the economy he lives in now.

Those absolute proportions of government influence on research may now be contracting slightly, but they are likely to remain very substantial. Mr Price, drawing upon experience gained in the Bureau of the Budget and the Department of Defense, is confident that Western societies can learn to live with some such degree of government financing of technological progress, since they must; and that governments and their scientists can learn to live sensibly together. He is concerned in this book to suggest how such a system of mixed responsibility can be operated successfully in American administrative and political conditions. These conditions, and the traditional relation between American science and government, as he emphasises, differ radically from those in Britain; and his specific proposals, therefore, are of only indirect interest over here. For British readers, the book's main interest lies in the sanguine and salty candour with which this American administrator faces problems that exist here too, in essentials if not in form; but which are seldom practically discussed in public.

Both countries, it may be said, lack the kind of professional administrator of science whom Mr Price believes is becoming essential, and whose qualifications he roughs out; but the conditions of civil service from which such administrators would have to come differ utterly. Mr Price, incidentally, holds that the British administrative civil servant is "probably a great deal better than we shall ever get if we do no better than we have been doing lately"; but he wants something less "profoundly conservative" to handle science, and thinks America may be better placed than Britain to develop it.

One World?

HUNGRY PEOPLE AND EMPTY LANDS.
By S. Chandrasekhar.
Allen and Unwin. 306 pages. 18s.

THIS book, the first full-length contribution by an Asian expert to a debate in which Asia is most urgently concerned, is at once a portent and a disappointment. It combines the Asian viewpoint with Western methods of thought and with one characteristically Western value judgment—that which sets up individual welfare as the supreme standard of policy. It is the voice of an equal, who finds it unnecessary to whine, screech, bluster, or make schoolboy debating points. In short, it demonstrates a conclusive victory over that obstinate and insidious political trauma that so commonly afflicts—even long after its cause has passed—citizens of once-subject nations.

So far, so good; when one turns from exposition to conclusion the portent becomes less comfortable. The voice of the equal, objectively considering the world situation and its requirements, utters unspeakable things—things quite as unwelcome to Western ears as, to the ancestor-worshipping Chinese or to his own conservative countrymen, his urgent injunctions against uncontrolled breeding. It asks for equality before the immigration laws, and for a supranational migration authority. It attacks not merely "racial" discrimination but also the taboo on racial intermarriage, holding up Brazil as a model to be emulated. It lists those areas—such as Northern Australia, tropical South America, New Guinea—which offer a living to the Asian peasant and to him only, and stakes a moral claim to them. "Hungry People and Empty Lands" constitutes, in fact, just such a challenge to Western assumptions about the human future as was foretold in Lord Boyd Orr's "The White Man's Dilemma." It is unlikely to stand alone.

This is, of course, no reason for finding it disappointing. The challenge is there, implicit in the adult nationhood of Asia, and the sooner Western opinion begins to devote sustained and rational thought to it the better. The disappointing feature is a surprising one; amateurishness in the business of authorship. The statistical matter is often far behind the times and on at least one occasion flatly contradicted in the text. Such vitally relevant evidence as that provided in Professor Dudley Stamp's "Our Underdeveloped Earth" is left unmentioned. The level of argument fluctuates between the closely reasoned and well documented, the speculative, and the superficial; one envisages Dr Chandrasekhar playing simultaneous chess, at three appropriate standards, against a championship contender, a respectable member of a suburban club, and a tyro—only all these games are paradoxically conducted on the same board. Add to these shortcomings an occasional awkwardness of style or uncertainty of idiom (matters in which the average, linguistically paralysed English reader is unreasonably censorious) and a rather unpleasing typography, and there is some risk that "Hungry People and Empty Lands" may be dismissed as one more cranky addition to the literature of a subject notoriously attractive to cranks.

That would be a great mistake. One may disagree with Dr Chandrasekhar—

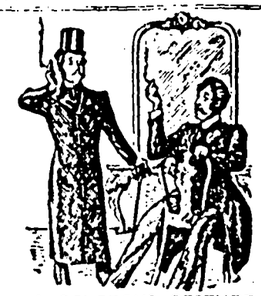


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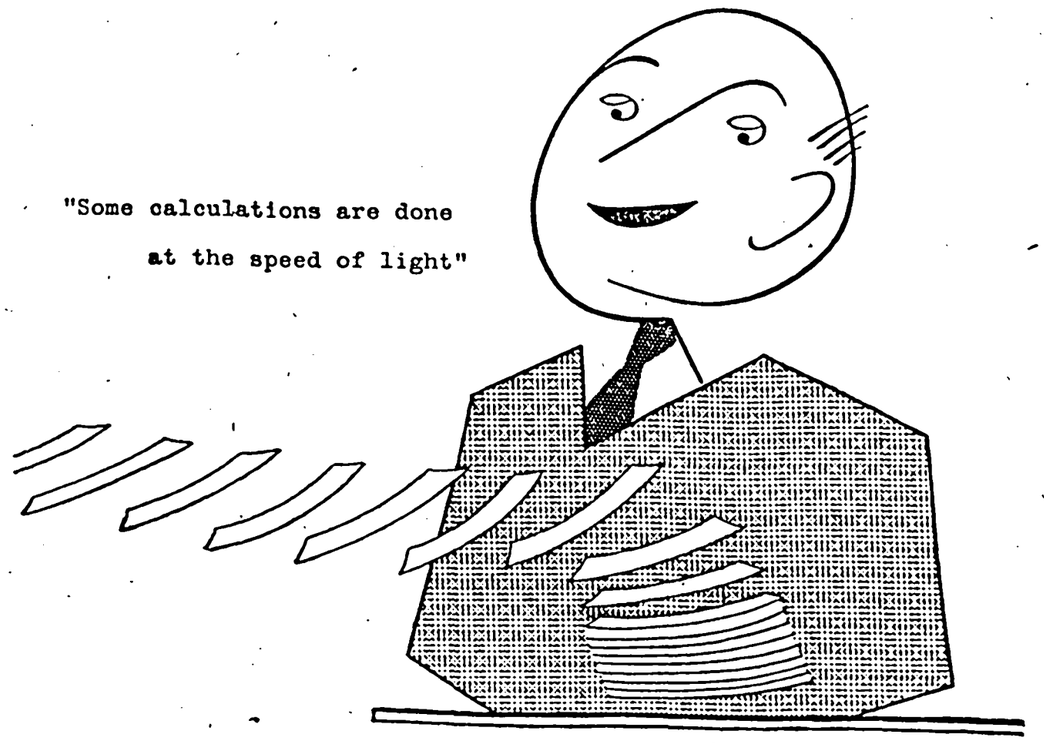
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on the relative importance of this or that factor, on the significance of certain data, on political possibilities, and (quite apart from any nonsense about "racial superiority") on the merits of the universal melting pot. One cannot neglect him. Defects and all, his work is at once a serious contribution to the demographic debate and a milestone on the difficult road to mutual racial understanding.

Successful Diplomat

AMBASSADORS AND SECRET AGENTS.
By Alfred Cobban. *Cape.* 255 pages. 21s.

THIS is an interesting and important book with a curiously misleading title. In fact it is an account of the doings of James Harris, first Earl of Malmesbury, when he was British Minister at the Hague, 1784-88. That does not mean it is merely a piece of diplomatic history of the conventional sort. Dr Cobban's chief concern has been to set out in minute detail what happened by carefully fitting together evidence from English, French and Dutch sources. In so doing he is able to show vividly how late eighteenth century diplomacy actually worked. He also demonstrates convincingly that chance plays a much greater part in such matters than we are usually disposed to admit, and that clear thinking and intelligent opportunism have much to do with the making of successful policy. Moreover, if, as can be plausibly argued, the real nature of international dealings has not greatly changed since Harris's time, then the book has a moral for the present day.

Indeed the situation that faced Harris in the United Provinces has an oddly modern look. It was the familiar story of the great powers meddling in a domestic quarrel, and so putting the peace of Europe in jeopardy. The Stadtholder, the feeble and vacillating William V, was at loggerheads with the republican townsmen, who called themselves "Patriots" and were determined to eject the House of Orange. They enjoyed the active support of the French, scheming to make Holland their satellite, while the Prussians also had a finger in the pie, for the Princess of Orange was a niece of the ageing Frederick the Great. Britain, friendless after the American war, was, as always, very sensitive to changes in the Low Countries. Harris was therefore charged with the apparently impossible task of destroying French influence in Holland when it seemed about to triumph. However, within four years he had brought his mission to a successful conclusion.

In telling how the job was done, Dr Cobban rightly portrays Harris as a very able diplomatist. He was courageous, astute, notably well-informed, and he never misled his own government or his Dutch friends. His French and Prussian colleagues were not so scrupulous in this matter, and they had their reward. Yet after two years of strenuous effort Harris faced a situation far more menacing than it had been when he first arrived. Then, quite unexpectedly, a stupid indignity put on the Princess of Orange by the "Patriots" suddenly made Prussian intervention a real possibility. Harris now showed his true quality. He persuaded Pitt that the French would promise their friends everything, and, when the crisis came, would perform nothing; that the "Patriots" were weak and intransigent; and that Prussian suspicions of English motives could be overcome. Convinced of this, the British government worked hard to restore the Stadtholder's authority with Prussian arms. Events proved Harris right. Less than a month after the Prussians invaded Holland the "Patriot" party had collapsed, the French were eliminated and the English connection was restored.

Scientific Commentary

THE SCIENCES OF ENERGY.
By J. G. Crowther.
Frederick Muller. 271 pages. 12s. 6d.

THE popular science writer has the choice of several styles: he can instruct (or do his best to instruct); he can entertain, with amusing anecdote and imaginative analogy; he can moralise; or he can blatantly overawe, shepherding his gaping readers through a conducted tour of the marvels and mysteries of nature. Mr Crowther is too serious a writer to be guilty of the last; but in this book he provides equal measure, roughly speaking, of the others. It is described as "a commentary for the general reader on recent advances in Astronomy, Physics and Chemistry," and it may be said at once that it is a very good one—informative, readable, thought-provoking and up to date. It is no "Teach Yourself" book, and the reader need not expect to find himself transformed into an authority overnight. But such knowledge as he has already and acquires from this book will be orientated and proportioned sensibly, a deal of historical background will be filled in (Mr Crowther's history is, on the whole, quite acceptable and at times most illuminating) and he will be given considerable food for thought.

The chapters on astronomy (or rather, cosmogony, the origin and evolution of the universe) entertain perhaps more than they instruct. Cosmogony is a happy hunting ground for imaginative theorists, and it is a hopeless task for the layman to try to discern where they leave the solid ground and take off into flights of fancy. So much of one theory contradicts the next, and the events in question are so immensely remote and so immensely long ago, that one cannot help regarding cosmogony rather as a matter of rival fairy stories, and Mr Crowther's whimsical chapter headings suggest that he is a little infected with this spirit, too. But what majestic fairy tales they are. The universe begins as the mighty explosion of a primeval atom, two hundred million miles across; matter begins when time begins, and the whole future pattern is set in the first few frantic minutes; or else, as a contrast, the universe is seen as an everlasting swirling mist, continually condensing round us and drifting off out of our remotest vision. These are thrilling chapters, and if here and there Mr Crowther seems himself to be a bit at sea, who will blame him?

Physics means, of course, "The Atom," and this is taken in rather a low key. In view of Mr Crowther's tendencies in politics, it is a relief to find that the moralising is not more obtrusive. Commendably in a book of this kind, he concentrates on scientific advance, and writes off atomic power production as a mere technological sideline and a rather clumsy one at that. He suggests that our forthcoming atomic power stations, useful enough, maybe, for the time being, will be regarded by future generations as "scientific dinosaurs." Mr Crowther considers that no discoveries have been made in physics since 1938 equal in importance to those of the twenties and thirties. The most promising, that of the new "meson" family of particles, has come about, characteristically, not through the hundred million volt atom-smashers, but through the patient inspection of simple photographic plates left for a few weeks on a mountain top.

The reader is likely to gain real illumination from the chapters on the usually unglamorous subject of chemistry, and not only on the familiar subjects of "miracle fibres" and "wonder drugs." He will understand, for instance, how the Nobel Prize came to be awarded to two almost unknown young chemists, Martin and Synge, for their achievements in such an unpublicised subject as paper chromatography—"a revolution in chemical analysis." With this, with X-ray analysis and radioactive labelling of atoms, the weapons of chemical analysis are now immeasurably sharper than before. Mr Crowther describes the sort of developments on the brink of which chemistry is now poised, unquestionably the most exciting of which is the nature of life itself.

Civilised Amphibians

TREASURE DIVING HOLIDAYS.
By Jane and Barney Crile.
Collins. 256 pages. 18s.

HOW pleasant to avert one's eyes from scudding rain on the empty beach, from the wind-tormented anchorage under its leaden skies, from the gruel-and-greens landscape of holiday England, 1954, and to consider the milk-warm, coral-flowering Caribbean. How delightful to make its acquaintance in such excellent company as that of Dr and Mrs Crile and their family, who, "skin-diving" in goggles and flippers, with "Jackie Brown" air-compressors for more ambitious work, salvaged ivory from a sunken slaver, and chipped an eighteenth century cannon out of the coral; lived on lobster, octopus and turtle, and consorted on friendly terms

with barracuda, jewfish, moray eels, and an even-tempered variety of shark. (To discourage less amiable fish, they wore black tights with ferocious faces on the rear aspect.)

One and all, jointly and severally, very nearly drowned themselves, and the reader salutes not only cool-headedness and courage but a seemingly inexhaustible good temper in face of a degree of discomfort which very few, even among the tough and adventurous, would be willing to face *en famille*. (Gliding between coral-encrusted wreck-ribs, accompanied by shoals of silvery minnows, is one thing; coping with jelly-fish-itch in camp on a desert key is another.) Incidental danger and discomfort, however, make up a minor even if essential part of the Crile story, which entertainingly traces the steps from sheer physical delight in the conquest of a new element, through the hunter's and naturalist's enjoyment of marine life and the treasure-hunter's nefarious appetite, to the disinterested but still zestful curiosity of the marine antiquarian. The book is most attractively produced, with a generous allowance of entrancing underwater photographs, and if one hilarious misprint describes blonde Susan Crile as "two-headed," who cares? Its style is high-spirited, conversational, and civilised. Matter and manner together bring a refreshing tang of that real America which, like certain wines, can rarely be induced to "travel." On all counts, the young Criles are a lucky quartette.

Cottage in the Country

ENGLISH COTTAGES AND FARM-HOUSES.
By Olive Cook and Edwin Smith.
Thames and Hudson. 50 pages and 273 plates. 42s.

THIS book is a worthy successor to the publishers' "English Parish Churches," which appeared two years ago. Mr Edwin Smith's photographs are again superb. Whether he is taking a cottage living room, with pictures of royalty and Staffordshire figures jostling each other on the mantelpiece, or the inside of a barn, with the sun shining through the chinks in the roof, or a solitary farm in a moorland setting, he has spared no pains to achieve exactly the right effect.

The photographs are beautiful enough and delightful enough to speak for themselves. They do not need the somewhat ecstatic prose that Miss Cook occasionally bestows on them in her commentary. In other respects, however, her text and notes are admirable. She explains the "cruck," and "post and truss" methods of construction—with diagrams—and shows the importance of geology in the materials used for building. (A useful geological map is given.) The photographs are, in fact, grouped according to methods of construction and materials used rather than chronologically. Thus, what at first sight appears to be a haphazard arrangement turns out, on closer inspection, to have a design and purpose. The brick cottages of Kent can be contrasted with the whitewashed farms, with sturdy porches, of the Lake District, and the rough stone buildings of other parts of the north with the carefully worked stone of villages in the south and west.

Not all the places illustrated are "old world" and pleasing. The authors have been realist enough to include a mining village or two of the last century. They have not, however, given any illustrations of modern council housing. This is a pity; examples of bad rural housing schemes, and of those where an attempt has been made to conform with local tradition and style, would have provided an interesting contrast to these pictures of the past.

Shorter Notice

INTRODUCTION TO INTERNATIONAL ECONOMICS.
By Delbert A. Snider.
Richard D. Irwin, Nanewood, Illinois. 491 pages. $8.

This is a businesslike, comprehensive, well-constructed and well-produced textbook, which fills a surprisingly long-felt want. There are dozens of competent general introductions to economic theory, all of which necessarily devote a certain amount of space to international economic relations; there are money-and-banking textbooks of which the same can be said; but the student looking for something at once larger in scale than these chapters or sections and wider in scope than the special study or monograph has hitherto—particularly if he is a beginner—been poorly served. The English student is, of course, confronted with the usual disadvantages of very high price, exclusively American bibliography, and, in general, an American slant in all matters pertaining to institutions, history, and policy. He is, however, spared the equally usual penance of wrestling with the American academic style; Professor Snider writes, if not gracefully, at least as if English rather than German were his native tongue, and he has a welcome gift for putting theory into commonsense perspective. (His chapter on "Domestic Stability versus Free Trade" is especially admirable.) It is a great pity about those eight dollars.

Books Received

THE CENTURY OF TOTAL WAR.
By Raymond Aron.
Translated from the French by E. W. Dickes and O. S. Griffiths.
Derek Verschoyle. 379 pages. 25s.
The French edition of this book was reviewed in *The Economist* on November 17, 1951.

A BIBLIOGRAPHICAL DICTIONARY OF ENGLISH ARCHITECTS 1660-1840.
By H. M. Colvin.
John Murray. 835 pages. 70s.
This book consists of a detailed list of architects and master-builders, their lives and works, both built and written. There are full cross indexes of patrons and places.

BALANCE SHEETS AND THE LENDING BANKER: *A New Assessment of Accounts and Accounting Ratios in Relation to Bank Advances.*
By J. H. Clemens.
Second edition, revised and enlarged.
Europa Publications. 271 pages. 20s.

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L. J. COHEN
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H. CLEGG
30s. *net*

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A. FLANDERS & H. A. CLEGG
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BASIL BLACKWELL
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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.

Trade Policy Marks Time

Washington, D.C.

IT is possible to argue for hours about the achievements of the Republican Administration and of the Eighty-third Congress in most fields without persuading supporters of the government to admit that much was wrong, or the opposition to admit that substantial progress has been made in some directions in the last two years. But when the subject of foreign economic policy comes up Republicans—or, at least, those on the Eisenhower wing of the party—begin to wear a hunted look; they usually express some pious hopes for next year and change the subject as quickly as possible.

When the President delivered his "Treasurer's Report" to the nation last Monday week, he promised that foreign trade would be one of the big jobs for the next session. In his own words,

> reciprocal trade is now under earnest study and will be taken up by the next Congress. We got another year—as a result of the Randall Report—in which to study certain features of this whole business so that our friends could, with us, make a living through profitable trade.

And a few days later Mr Eisenhower wrote to Mr Harry Bullis, the chairman of General Mills Inc and one of the most persistent fighters for freer trade, to assure him that it was his "present intention to give high priority to progress in this whole field in planning for next year's legislative programme."

All this would be most encouraging were it not for the history of the last two years which suggested to Mr Frederic Collins, the Washington correspondent of the *Providence Journal*, that "the era of liberalised trade policy is always going to begin tomorrow and tomorrow never comes" and reminded him of the Chinese saying that "there is a great deal of noise on the staircase, but no one comes down." What has come down so far is, indeed, singularly unimpressive in view of the President's emphasis, in his State of the Union message in January, on the need for action this year.

If Mr Clarence Randall were not so loyal an Eisenhower supporter, he might express some resentment at the idea that his months of work did no more than provide another year in which to study "certain features of this whole business," a business that has been studied and studied since the end of the war until every last feature is familiar. But, in fact, because he attempted the impossible task of trying to reconcile completely opposite points of view, the report of his committee gave a lot of ground that supporters of a liberal trade policy had fought over and won and did not expect to have to try to recapture at this late date.

When the President admitted defeat on May 21st and announced that he had reduced his demands on Congress to a simple one-year extension of the Reciprocal Trade Agreements Act, he spoke of all that could be done by administrative action. The two most significant examples of administrative action since that time have been the award of a contract for generators for the famous Chief Joseph Dam to an American firm, despite a lower English bid, and the increase of the tariff on Swiss watches.

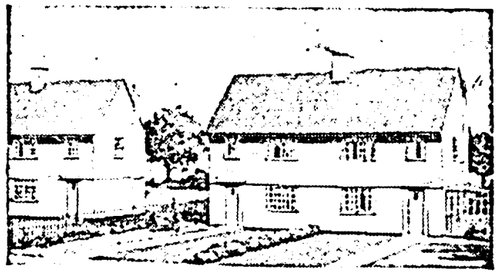
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The Swiss watch decision was obviously reached in ignorance of its importance, as a test case, in the eyes of the rest of the world, and it has been hinted that it may be reversed as soon as it has achieved its purpose of getting Senator Saltonstall re-elected in Massachusetts, a watch-manufacturing centre. A similar desire to help Republican candidates in the mountain states is presumably involved in the lead and zinc decision. It is possible to doubt whether an increase in the stockpile of these metals is vitally necessary at the moment except for political purposes. But the decision to buy for the future, and thereby make the country as a whole pay for what is an aspect of national policy, rather than to raise tariffs and give a small group benefits at the expense of national policy, is one that deserves the praise, and the sighs of relief, that it has received.

However, while the Administration has, as the *Journal of Commerce* thinks, at last begun to show signs that it is coming to the end of the long detour that has taken it far afield from its broader foreign trade objectives, Congress has gone on its way undeterred by any reference to broader policy. After the President had denied the Tariff Commission's recommendation for a higher tariff on fish fillets, Congress, in a rider attached to a Bill eliminating the duty on crude silicon, increased the duty on "fish sticks"—a new invention of the frozen food trade which uses, and has enormously increased the sale of, fish fillets.

Being in a fishy mood, Congress then passed a law to ensure that proprietors of restaurants who sold alien, un-American trout should admit the horrible fact on notices hung on the wall. During the debate on this measure it transpired that

> various restaurants throughout the country are advertising on their menus "Rocky Mountain Trout" and "Eastern Brook Trout" when actually the trout they serve is foreign produced and imported into the United States.



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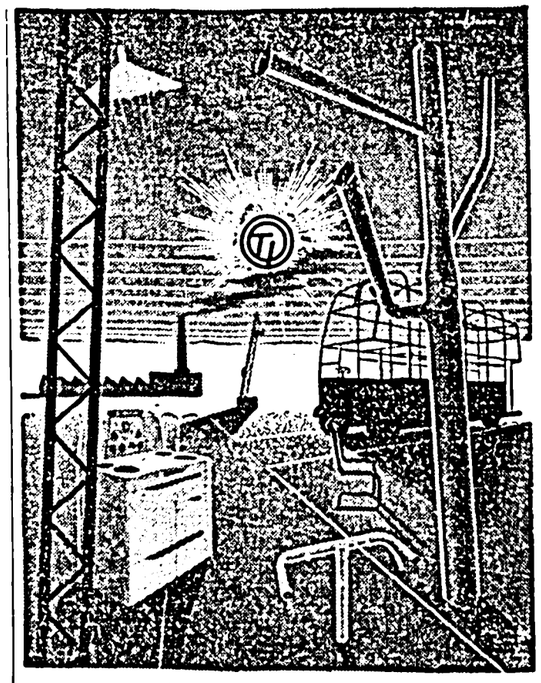
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The chief culprits in this nefarious trade appear to be the Canadians, who were probably suffering, until now, under the delusion that they had some Rocky Mountains, not to mention an East and brooks that run through it. One Congressman suggested an amendment to protect Virginia ham, saying that

> you order Virginia ham thinking you are getting a nice piece of Virginia ham, but when you get it, you know it never got any nearer to Virginia than a week before when it was murdered in Chicago, smoked, and sent down to Virginia.

The sponsor of the trout Bill, Mr Allen of Illinois, was not amused.

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Of the minor measures requested by the President as a token of good faith for the future and as a small first instalment of the Randall recommendations, almost none got through. The Jenkins Bill, which was to simplify the procedure for valuation of imports, died; the provision of tax incentives to encourage foreign investment was removed from the tax revision Bill; the Administration's Bill to modify the Buy American Act was never introduced; the Bill to increase, from $500 to $1,000, the value of goods which returning tourists could bring into the country duty-free was shelved; and the clause in the foreign aid Bill, designed to encourage foreign investments by insuring them against loss by war or revolution, was taken out by the Senate. The only success came with the Byrnes Bill, which ordered the Tariff Commission to make a study of the whole tariff structure, and, by the time it had passed, the President's right to act on the commission's recommendations without going back to Congress had been eliminated.

The President, therefore, has not been allowed to give the rest of the world any of the crumbs he promised. Nevertheless, the United States seems to be preparing to meet the signatories of the General Agreements on Tariffs and Trade at Geneva as the champion of freer trade. In particular, it is going to be the champion of freer trade for Japan with other countries, although, as Mr Dulles prudently observed, it is not desirable that Japanese exports to the United States should be increased. All in all, as far as foreign trade is concerned, the United States seems this year to have made a bit of an elephant of itself.

McCarthy Under Control

As one investigation of Senator McCarthy's activities ended—the Mundt committee's reports on his dispute with the Army were completed this week—another began, with the opening of the Watkins committee's hearings on the charges, presented by Senator Flanders and others, that Mr McCarthy has brought the Senate into disrepute. He did this more effectively than ever before, as far as the general public was concerned, by his televised demonstration, before the Mundt committee, of how a congressional inquiry should not be conducted. This discreditable display is not, however, one of the issues before the Watkins committee, although the Republican majority on the Mundt committee does once more suggest, in its report, some ways in which a repeat performance might be avoided.

The Mundt report is chiefly concerned with putting the blame, for the unjustifiable pressure exercised on behalf of Mr Schine, Senator McCarthy's protege, when he was conscripted, on Mr Cohn, who resigned some time ago as counsel to the McCarthy investigating sub-committee. The four Republicans who conducted the inquiry agree that there was no dishonesty on either side, but they also agree that there was bad judgment on both sides; in particular, the Secretary of the Army is condemned for appeasing Senator McCarthy and the Senator is condemned for condoning Mr Cohn's efforts on behalf of Private Schine. It had been thought that one of the Republicans, Senator Potter, might join the three Democrats on the Mundt committee, and thus make their more far-reaching censure of both Mr McCarthy and the Army authorities into the majority report. But in the end Mr Potter was prevailed upon not to weaken his party's unity just before the election, and in his turn he probably prevailed upon his Republican colleagues to make their report stronger than it might have been.

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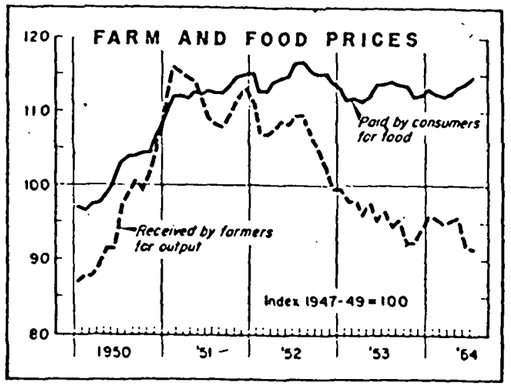
The Democratic minority objected particularly to Mr McCarthy's access to a confidential government document and to his encouragement to government employees to give him secret information. Such incidents make up two of the five groups of charges into which the Watkins committee has concentrated the forty-six overlapping accusations against Mr McCarthy which it is considering. The other three groups relate to his treatment of General Zwicker, to his abuse of his colleagues and to his alleged contempt for various Senate committees that have already investigated his affairs during the last three years. The facts on which most of these charges are based are well known, and the Watkins committee should therefore have no difficulty in reporting, as it hopes to do, by the beginning of October so that the Senate can consider the findings before the election.

Even more helpful in speeding up the hearings should be the strict court procedure that is being followed. Senator Watkins has already, with remarkable firmness, checked Senator McCarthy's usual diversionary and demagogic tactics; they would in any case have had less point than usual, since television cameras—and smoking, too—have been banned from these intentionally unsensational and impartial hearings. Altogether this week has given the impression that the Senate, slow as it has been to check Mr McCarthy, is at last surely feeling its way towards getting its notorious member under control and keeping him there.

Democratic Harvest?

The spectacle of Mr Adlai Stevenson attacking the Administration's farm price law in the interests of Democratic candidates in the farm belt is a disillusioning one. Mr Stevenson's great appeal to the independent-minded voter has been his insistence that the national interest must come before that of any pressure group, however powerful. In braving the wrath of the farmers and taking a step toward lower price supports for the five basic commodities, the President and Mr Benson, his

Secretary of Agriculture, have deserved Mr Stevenson's admiration. Instead, at a farm conference of Democratic candidates at Sioux Falls, Mr Stevenson has accused the President, who admittedly made some equivocal campaign speeches to farmers, of breaking his premises to them, and



of having produced, at one and the same time, the "lowest farm prices and highest cost of living in recent years." Mr Stevenson defended high price supports cautiously, chiefly as a cushion against recession, but his audience, overriding his doubts, adopted a manifesto favouring their immediate restoration.

The Democrats are naturally anxious to prevent the Republicans from offsetting any losses they incur in the farm belt by gains among consumers in the big cities and, for statistical ammunition, they can turn to a report of the House Agriculture Committee, which was issued in the vain hope of turning the tide against lower and flexible price supports. This points out that although the prices received by farmers have fallen by more than 17 per cent since the peak reached in 1951, the housewife has felt no benefit. Further reductions in farm prices, it is implied, would injure the farmer without helping the consumer. The comparison is not quite a fair one, and plainly farm prices are not the only cause of dear food. The farmer receives only 44 cents of each dollar spent on food, and what he has lost has been more than eaten up by higher costs of distribution, processing, and elaborate packaging. If farm prices had not fallen, however, the consumer would be even worse off. The failure of retail prices to turn down is a warning against expecting the new farm law to accomplish the impossible, not an argument for retaining high support prices.

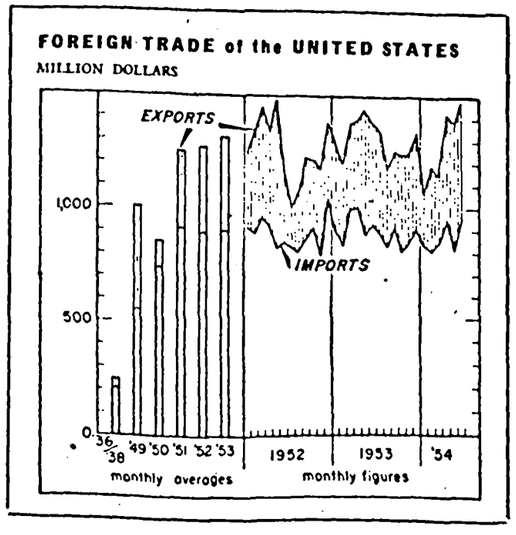
Going Slow on the Farm

BOTH the President, when he signed the farm Bill, and Mr Benson have made it clear that they do not expect a miracle this year and that they will have to wait for their justification. The increased consumption and decreased production of butter are hopeful signs that lower support prices will bring economic balance, and helped to persuade Congress not to raise the support price of dairy products, which Mr Benson had fixed at 75 per cent of parity. (Parity is an imaginary price, calculated to give the farmer the same return, in relation to the things he buys, which he had in an earlier period.) But the full programme will go into effect slowly, to lessen the shock to farmers both as producers and voters.

For one thing, the new lower price supports do not apply until the 1955 crop year. Even then, the Department of Agriculture relies more on rigid controls over planting than on the flexibility of the new supports to curb surpluses. The support prices are not going to bend very far at first. According to unofficial estimates of the Department of Agriculture, wheat is the only basic commodity whose support level is likely to drop the whole way to 82½ per cent of parity, the lowest figure at which support can be set. This would mean a price guarantee of $2.06 a bushel compared with $2.24 today. The decline will be slight for maize, rice, and peanuts, and there will be none for cotton. Congress agreed enthusiastically to the President's request that surpluses worth up to $2.5 billion should be disregarded when the calculations of supply and demand are made which enter into the fixing of the support price. Mr Benson himself expects that it will take several years to solve the problems created by following wartime policies after the emergency was over, and claims no more than that the new law points the way to better balance and greater stability.

Embargoes for the Future

THE Foreign Operations Administration has now made its contribution to implementing the agreement, worked out in Paris between America's allies, to relax the embargoes on trading with the Soviet Union and its satellites. The Department of Commerce has on its side followed this up with a loosening of its export licensing regulations, which also puts American exporters on a rather easier footing



when trying to sell behind the iron curtain. Both agencies, as was to be expected in the present political atmosphere in the United States, have maintained their bans on shipments to Communist China, North Korea and North Vietnam, even though these are somewhat unrealistic because of the close commercial connections between these countries and the Soviet Union. But in other respects the new regulations are practical steps towards making controls on trade with the Communist world easier to administer and putting them on a long-term basis which can be maintained for the foreseeable future.

Allied countries can now trade more freely with the European satellites without risking the loss of American aid under the Battle Act's once somewhat exaggerated ban on exports of military importance. The main embargoes dropped are those on various kinds of machinery and motors, mostly of the smaller types, transport equipment and a number of mineral and petroleum products. Altogether about 80 items have been freed from the Battle Act, leaving rather over 200 under restriction. The Department of Commerce, on its side, has almost halved its "positive" list, which covers strategic items which may not be sold to the Communist block. But this list still contains nearly 800 entries; it has always been more comprehensive than the Battle Act list, partly because it includes items which are in short supply in the United States and partly because the Department of Commerce seems to have taken a more rigid view than has FOA of what should be denied to the Soviet world. Export licences will no longer be required for trade with friendly countries in the items taken off the positive list, which fall into roughly the same categories as those freed from the Battle Act's embargoes. While licences will still be needed before Americans can send such exports behind the iron curtain, it is expected that permission will be granted fairly freely.

Nevertheless American traders, for the present at least, will be unlikely to take as much advantage as will their allies of the opportunities for trading with the Communist area. The main reason for relaxing the restrictions is after all to open markets for the growing output of those allies and to provide them with new sources of income to make up for the decline in dollar aid. American exports to the Soviet block have never been of much importance; even in 1947, before controls were imposed, they were valued at only $340 million, compared with a total export trade of over $15 billion. The Soviet satellites today have few means of paying for American goods and American exporters have little interest in supplying them. But at least the iron curtain will be less difficult to penetrate should the American search for export markets become more intensive.

Bankers in Waiting

THE conclusion of the Department of Commerce that the economy has continued stable during the early summer, despite continued liquidation of inventories in the durable goods trades, supports the judgment of the President that the economic decline has come to a halt. But even with the continued high levels of consumer spending and construction, there is no certainty that an upturn is on the way or that the economy will do more than mark time for the rest of the year. The failure of bank loans to business to increase during August, when they usually begin to pick up, is dampening news. The weekly reporting banks in New York City, which make about 20 per cent of the nation's loans, experienced three falls in business loans during the month; last year at this time they were rising. This follows an unusually steep decline in business loans during the first half of 1954; the level, for reporting banks throughout the country, is now over $2 billion below that of last year.

The decline is due to the liquidation of inventories by the metal trades, and the stand-offishness of food and tobacco companies and of the retail and wholesale trades, which usually seek funds at this time. On the other hand, it must be noted that some borrowers, with a high credit rating, are obtaining cash at lower rates than the banks demand in the commercial-paper market, that many corporations have large accumulations of cash in hand, and that the fact that they had to pay 90 per cent of their federal taxes in the first half of the year reduces their need for credit in the second six months.

Moreover, the reduction in reserve requirements which took place in June and July, and which was welcomed as an anti-recession measure, was less open-handed than it appeared at the time. The Federal Reserve System has mopped up a substantial proportion of the banks' new reserves by steadily selling Treasury bills, the return on which has now begun to rise. Over $800 million of these securities have been sold by the system since June, evidently in an effort to see that the money market was neither over supplied nor under supplied with cash. The outlook remains favourable, however, should the Treasury pursue its aim of lengthening the maturities of the public debt. The 3¼ bonds due in 1983, which were launched under such discouraging circumstances, are now selling at a substantial premium, and the most recent refunding operation showed not only a very small demand for cash, but also enthusiasm for the new six-year bond which investors might take instead of new one-year certificates.

Classless Education

FROM OUR SPECIAL CORRESPONDENT

IN the United States, virtually everyone between the ages of fourteen and seventeen goes to secondary school. This development is already so taken for granted as a mainstay of American democracy that people sometimes forget how recent it is. In 1890, less than 7 per cent of children in this age group were in school; by 1930 there were over 50 per cent, and today the proportion has passed 80 per cent; nine-tenths of these children attend publicly owned and operated schools. This has happened, moreover, without any nation-wide requirements being imposed by the federal government; the forty-eight states have done it themselves, each at its own pace. Providing for education is not only one of the most important, but one of the most decentralised, of government activities. Even within the states it is the rule rather than the exception for the local school districts to exercise autonomy in planning, operating, and to a large extent even in paying for, the schools.

So momentous a change as the broadening of the secondary school system to include almost everybody, instead of a select few, was bound to raise immense problems. Most of these come down to one basic question: how can education be opened to virtually everyone above the level of certifiable idiocy, while still preserving adequate opportunities for the intellectually gifted leaders of the community to receive the training for leadership?

That this may, in fact, be impossible is not an answer that most Americans will entertain for a moment. Sometimes the passionate devotion to the ideal of a classless society even prohibits recognition of the fact that children do, after all, enjoy very different intellectual endowments to begin with, and that this may conceivably mean that the especially gifted need a different kind of schooling from the rest. The very idea of dividing up secondary education into grammar schools, secondary modern schools and technical schools would be condemned by most Americans as a concession to undemocratic snobbery, and as an offence against equality of opportunity.

The prevailing practice in the United States is to have comprehensive high schools, in which there are different courses of study for, say, the future clerk who wants to learn shorthand and dispense with foreign languages; the future semi-skilled labourer who wants to study industrial arts (a rapidly growing field in American secondary schools); and the future professional man or business executive who must be prepared for a university. But within these schools, the various students will merge indistinguishably in extra-curricular activities and in some of their studies as well. Until very recently, in fact, when an American high school listed special courses of instruction for "exceptional children," this phrase was almost certain to denote those who, for one reason or another, were retarded or could not meet the normal academic requirements.

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This situation came about through a healthy realisation of the pointlessness of forcing the dull student to repeat, over and over, a futile attempt to master the intricacies of mathematics or the subtleties of history, until he or she reached the age at which liberation from this sterile process became legally possible. The energies of many imaginative educators have gone into meeting this problem. Now, some are shifting, under the impact of desperate cries for help from university teachers and administrators, to the problems presented by the opposite end of the scale—the boy or girl of above average ability who finds too little stimulus in high school courses planned for the great middle-of-the-road majority of pupils.

But there are limits, set by financial considerations among others, to the number of different special courses or curricula which a school, especially a small one, can offer. A smaller proportion of the national income is now being spent on secondary education than was the case a decade ago—0.7 per cent as against 1.2 per cent. Much public attention is focused on the need for more money, especially for the purpose of raising teachers' pay. At the same time, the consolidation of small schools and school districts into larger ones, better able to offer diversity of training to meet the diversity of students, goes on rapidly. The number of school districts was almost halved between 1948 and 1953.

In spite of these changes, the fact that most students, gifted or not, will have broadly speaking to follow the same curriculum has led to vigorous debates over the nature of that curriculum, and particularly over the question of whether or not the basic academic disciplines are being sacrificed in favour of "Life Adjustment Education" and vocational training. Those who feel that such a sacrifice is being made, and that the high schools have all but ignored literacy in their search for "a happy and stimulating school experience," tend to blame the "Educationists," by which is meant those who teach the teachers, whether in schools of education attached to the great universities or in the state-supported teachers' colleges. It is alleged that these people have carried the philosophy of the late John Dewey far beyond anything the master intended, that they have become so preoccupied with the techniques of teaching that they ignore the substance of what is to be taught, and that in their concern for making education palatable to the majority of non-intellectually inclined children they have broken disciplinary lines and watered down essential standards.

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The evidence for this indictment is conflicting and hard to assess. No matter what the statistics say, however, there would be few university teachers in the United States who would not agree that the secondary school preparation of many of their undergraduate students is woefully weak in many respects, and especially in the matter of written and oral expression and in intellectually disciplined critical thinking. In part, these university critics would blame the introduction of many new non-academic subjects into the high school curriculum. Courses in consumer buying (how to shop most efficiently) or driver education (how to operate an automobile) increase, while enrolment in languages and mathematics declines.

The most eminent apologists for this tendency are often unconvincing; the executive secretary of the National Association of Secondary School Principals, writing in *Colliers*, defends a course in which boys learn, among other things, how to make fudge, as follows:

> . . . boys in this foods class will derive immeasurable pleasure and satisfaction in receiving recognition (which all humans desire) from their friends for a special culinary skill when the group goes on a week-end hiking trip. . . .

His opponents might well question whether this statement constitutes an adequate criterion on which to base the selection of courses for inclusion in a school curriculum. Besides, what has happened to the American home if it can no longer teach fudge-making to the boy who yearns to know?

The advocates of traditional academic training are somewhat unfair, perhaps, in making the Educationists the scapegoats. Often it is the general public, expressing itself through the local school board, that insists on "practical" subjects in place of "abstract" or "theoretical" ones. That the public, in turn, is unconsciously influenced by an anti-intellectualism of which these quoted adjectives are a symptom, is undoubtedly true, and may to some extent be the long-run result of the Educationists' advocacy of "learning by doing." But it is also the inevitable result of trying to provide secondary education to the mass of people who in any country are not "intellectuals," and whose school lives will only be stultified if it is pretended that they are.



Going Out of Business

NEARLY thirty years ago Calvin Coolidge observed that what was needed was more business in government and less government in business, but the war and the depression provided successive Democratic Administrations, who in any event had more faith in government and less in business than Mr Coolidge, with plausible reasons for expanding rather than reducing the scope of government enterprises. These have grown so fast, and are so various—they range from giant lending operations and great dams to the ice-cream plants and moving picture studios which serve the forces—that their value can only be fixed within the generous limits of $25 billion to $40 billion.

The natural tendency of a Republican Administration is to listen sympathetically to the complaints of businessmen who allege that they could do many of these things more efficiently and more cheaply than any civil servant, and pay federal and local taxes as well; it also believes that one way of halting the expansion of the public debt is to hand over to private interests some of the functions the federal government has assumed. Spokesmen for the Administration who deny that any prodding is needed from Congress can point to the closing down of the Reconstruction Finance Corporation, the vast government lending agency; the placing of the 27 synthetic rubber plants on the auction block; and the sale of the Inland Waterways Corporation. Government agencies have been ordered to submit a list of their commercial activities and the reasons why they should not be turned over to private enterprise. The Defence Department has led the way; already the Air Force has sold half its bakeries and the Army its saw-mills.

Mr McKay, the Secretary of the Interior, may not find it so easy to streamline the Bureau of Mines, which he thinks should be relieved of operating the government's helium monopoly, and its zirconium and titanium plants, and should share with industry the burden of experiments into the underground gasification of coal and the production of oil from shale. Complaints of a new "giveaway" to private interests are the stronger because helium, zirconium, and titanium are all needed for the defence programme. While private funds are flowing into the exploitation of the last two, there is a dispiriting lack of private interest in buying the government's four helium plants, even though demand is increasing. Moreover, although the House has passed a Bill to curb federal competition with private enterprise, Congressmen sometimes change their tune when their own state is involved; plans to shut down the government tin smelter in Texas have been wrecked on the resistance of Texas's Congressmen.

Motel de Luxe

NOT long ago there was nothing "ritzy" except the names about the motels—motor hotels, offering convenient overnight accommodation to passing motorists—that line the main roads outside American towns, especially along the tourist routes. But nowadays the bare wooden cabins, hardly any bigger and certainly less comfortable than the cars parked beside them, are being replaced by luxury rooms with carpets, baths and television sets, surrounded by gardens, and often with a swimming pool and restaurant. In the process the motel has lost what used to be one of its main attractions, its cheapness; prices are often now above those in nearby hotels but in these cases, particularly in small towns, the motel will probably also be cleaner and more comfortable. Moreover in a motel there are no "hidden" charges, such as the tips and parking fees that have to be paid in hotels.

Another drawback to the modern motel is that, to be sure of accommodation in the more reputable ones, the motorist must book in advance, instead of being able to stop when he feels tired. But the development of motel chains enables the tourist to plan a cross-country trip with the certainty of a comfortable room under the same management every night. And for such travellers, the motel, usually on a bypass road or near a highway junction, grows increasingly attractive as cities get bigger and more congested, and not even a night's rest seems worth the struggle with the downtown traffic.

There are now over 50,000 motels in the United States—the number has doubled since 1948—and on some busy routes there are more motel rooms than are needed except during busy holiday periods. As a result there has been a certain amount of price cutting, but competition more often takes the form of providing additional comforts and services. The newer motels compare favourably with the big city hotels and the country and small town hotels have suffered severely. Some of these are now trying to compete by offering special rates, taking children under 14 for nothing, for example, and better garage facilities; one even emulates the motel by taking the car right up to the bedroom for unloading. Financially, however, the motels have the benefit of lower capital costs, so that they can operate profitably with a smaller average rate of occupancy than can a city hotel.

SHORTER NOTES

The Senate unanimously confirmed without debate the appointment of Mr Herbert Hoover, Jr, the son of the ex-President, to succeed General Bedell Smith as Under Secretary of State. Mr Hoover is an engineer who had little political or diplomatic experience until his successful intervention, on behalf of the United States, in the negotiations leading to the Iranian oil settlement. He will be primarily responsible for directing administrative matters, leaving the Secretary of State free to concentrate on policy.

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The hopes of the liberal Democrats who nearly succeeded in bringing Texas back into the official fold have now been dashed by Governor Shivers's renomination. It was Mr Shivers who two years ago deserted to Mr Eisenhower and gave him the Texas vote, and the President, by telephoning his congratulations to Mr Shivers, has underlined what many Democrats regard as the Governor's disloyalty.

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This November, for the first time, there will be over 100 million civilian Americans of voting age. The exact figure is 100,223,000, compared with 98,135,000 in November, 1952.

The World Overseas

High Tide for Malan

FROM OUR CORRESPONDENT IN SOUTH AFRICA

THE Nationalist leaders were almost as surprised by the outcome of the provincial council elections as they were by their parliamentary victory in 1948. They had hoped to hold the position achieved at the general election 15 months ago: they did not expect to poll so many more votes than the United Party in the contested seats. Little wonder that Dr Malan referred to a "smashing" victory and that Mr Strydom spoke ecstatically of the "tremendous significance" of the result. Dr Malan was no doubt thinking of the "volkswil" (will of the people) in relation to the Coloured vote; Mr Strydom was openly counting heads to see how much closer the party had got to its "destiny": the attainment of a republic divorced from the Commonwealth.

Precisely how many heads Nationalists can count on, however, is by no means clear. While jubilant Nationalists, who have for years smarted under opposition taunts about their position as a "minority party," now claim to have "broken through the political sound barrier" by attracting more individual votes than their opponents, there are serious discrepancies in their figures. The Nationalists claim, on the basis of contested and uncontested seats in all four provinces and in South West Africa, to have the support of over 618,000 voters; while the opposition parties (which in effect means the United Party) claim the support of 587,000 votes. This calculation gives the Nationalists an overall vote majority of 31,000 compared with a minority of approximately 110,000 at the parliamentary election last year. But Opposition statisticians are unconvinced. In any case, any estimate of voting strength is only conjectural, for 75 out of the 172 seats at issue were uncontested and it is virtually impossible to calculate with any accuracy what the opposing forces would have polled in these seats had they been contested.

A number of indisputable facts, however, did emerge from the election. The Nationalists now control three out of the four provinces as well as South-West Africa. Although they polled more heavily than last year in only five out of the contested 72 seats, their majorities were, with a solitary exception, considerably higher, while the United Party majorities were without exception lower. In addition the United Party lost such key seats as Edenvale and Vereeniging, in the Transvaal, and saw a number of marginal seats move into the category of safe Nationalist constituencies. What is perhaps significant is that while the United Party paid heavily for the apathy and defeatism from which its supporters are suffering, the Nationalists nowhere appear to have made converts on any significant scale. What happened was that the Nationalists came out in force to vote while the opposition, sensing perhaps the futility of it all, stayed at home.

The outcome of the election has been a severe shock to the United Party which, in the months before the Union Congress in November, will have to undertake an "agonising reappraisal" of its position. Inevitably the leadership is being condemned for timidity and vacillation; the "liberals" in the party are blaming the "conservatives"; the "integrationists" are criticised for playing into the hands of the Nationalists; and generally the air is thick with recriminations. Obviously the party will have to make up its mind before November whether it will retreat before the onslaught of the Nationalists, who maintain that integration must lead to equality and thence to the domination of the White by the non-White, or whether it will face the implications of economic integration and put the issues clearly before the country.

Whatever happens the party will probably undergo some further disintegration. At best it faces a difficult future, although it has the consolation of knowing that in spite of its weaknesses and vacillations, in spite of having reached just about the lowest ebb in its fortunes, it still has almost as much electoral support as the Nationalist Party at what must be the zenith of its power. The danger is that Mr Strauss and his advisers will interpret this as a reason to sit tight and wait for the tide to turn.

Meanwhile the Nationalists can afford to feel smug. Claiming the outcome of the election as a mandate to go ahead with its plans to take the Cape Coloured voters off the common roll, the leadership is not disclosing its intentions at the moment. Dr Malan's obtuse post-election comments on the government's plans are no doubt intended both to confuse his opponents and to placate his own restive supporters.

One thing the provincial elections did not do was to make it possible for Dr Malan to reconstitute the Senate and get his two-thirds majority for the Coloured Vote Bill. The Prime Minister, however, will not be stampeded, and it is likely that before doing anything drastic he will attempt, once again, to persuade Parliament to give him his two-thirds majority. If he fails again he will plead "obstruction" by a "minority" and may then feel himself free to take more radical action. If he wishes to take such action, the Government's hand has certainly been strengthened by the provincial elections.

Last Hours of the EDC

THE great debate in the National Assembly ended a day ahead of schedule, with a score of deputies still waiting to express their views. The climax came with the singing of the Marseillaise, drowned in jeers and insults, with cries of "sing Deutschland Uber Alles," and echoing shouts of "go to Moscow." The treaty was killed in procedural skirmishes; but, though the debate did not run its full course, the European Defence Community is now definitely dead and buried. By voting to dismiss the issue the deputies really expressed themselves on the heart of the matter: they were against the treaty. When M. Le Trocquer announced that 319 deputies had voted for the *motion préalable* to end the debate and only 264 against it, he was proclaiming a clear French veto to EDC.

How Did It Happen? The shadow of the guillotine was hanging over the debate from the very beginning. Both sides were preparing to use Article 46 of the Assembly's rules. The partisans of the treaty, fearing that it would be rejected, sought to adjourn the debate by a *motion préjudicielle*. But the same article provides for a *motion préalable* (which claims precedence over all others) to decide whether the question should be debated at all. The blame for closing the debate without giving such important backers of EDC as MM. Schuman, Reynaud or Pinay a chance to speak cannot be put on the opponents of the treaty alone. It was perfectly well known that one motion would automatically provoke the other. Indeed, there had been tacit agreement to ignore Article 46 and let the debate run its course (there were also frantic efforts to include in the proposal to adjourn sufficient praise for M. Mendès-France's conduct in Brussels to decide the government to back the proposal and restart negotiations, but these failed). When M. Chupin broke the agreement and pressed for adjournment, the next step was inevitable: M. Herriot, the veteran parliamentarian, seized the occasion to deliver a last indictment against the treaty and then to move that the question be dismissed.

★

The rôle of M. Mendès-France: Members of the government abstained from the vote. Indeed to remain neutral was the only chance of survival for a cabinet that includes both opponents and partisans of the treaty. M. Mendès-France promised a "complete and loyal *exposé*"; his speech was the masterly summing up of a judge who tries to be objective but expects the jury to decide against the prisoner. And it could not be otherwise. Having failed in his task of reconciliation, having met with a rebuff in Brussels, the French premier was bound to plead *pro domo sua*. Thus a large part of his speech was taken up with explanations of the French stand in Brussels, with justifying the modifications rejected by the other powers, and by this very fact it emphasised the weaknesses of the unchanged treaty. M. Mendès-France could not defend the treaty without disavowing his own previous statements.

He reiterated his government's loyalty to the Atlantic alliance and placed Franco-British understanding at the heart of his policy. But he refused to accept the choice as one between Wehrmacht or EDC and argued that other solutions can be found within the Atlantic framework.

The Poll Analysed: French isolation in Brussels certainly mobilised votes against the EDC. The slogan about "Europe of five against one" found a large hearing. Before Brussels more votes could probably have been mustered to back the treaty. This week, however, not only all the orthodox Gaullists and Communists, but half the Socialists and Radicals rejected the EDC. MM. Moch and Daniel Mayer (since then expelled from the party) led the Socialist "rebels," while M. Mollet, the party's secretary led the orthodox European contingent. Among the Radicals, MM. Herriot and Daladier were against the treaty and MM. René Mayer and Delbos for it.

HOW THEY VOTED ON THE MOTION*

	For	Against	Abstention
Communists	99	...	...
Socialists	53	50	3
Radicals	34	33	9
UDSR	10	8	6
MRP (Christian Democrats)	2	80	4
Peasants and Independents	31	76	11
RS (Orthodox Gaullists)	67	2	4
ARS (Dissident Gaullists)	16	14	3
Total (incl. others)	319	264	43†

* For the motion means against the EDC. † Including 23 ministers

Communist "arbitration": The figures show that Communist votes have tipped the scales, that without them the balance was in favour of the EDC. Yet such arbitration was unavoidable as soon as it appeared that no compromise could be reached between the non-Communist parties. On issues that divide parliament and country so deeply 100 deputies cannot be ignored; their votes cannot be discounted without depriving a quarter of the French population of its democratic rights. When others quarrel, the "untouchables" inevitably come into their own and even dominate the parliamentary arena.

Is there a Constructive Majority?: The fact still remains that if the government embarks on a policy distasteful to Moscow the present majority will crumble. Any proposal involving German rearmament will meet with the opposition of Communists and many Socialists. Will a looser alliance, however, find favour with the "Europeans" for whom the chief merit of the EDC was its supranational character?

M. Mendès-France asked the deputies not to cast their votes lightly and to ponder over the alternatives. Yet the debate produced only a negative answer and there are still no signs of a majority for any solution to the German problem. Probably it was difficult to discuss alternatives without knowing which formula can be accepted by France's allies.

What Next?: The French premier must now start all over again with his initial search for a compromise and a reconciliation. Will he prove more successful now when bitterness and resentment dominate the home situation, while the mood of the allies is largely determined by German impatience? His hope must be that the parliamentary recess will cool French deputies' tempers and that the allies will realise, after the initial shock, how dangerous it would be to antagonise France. Possibly, with a dose



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of undue optimism, Paris looks towards London for an acceptable solution, if not a panacea.

The National Assembly is empty. After a passionate post-mortem, in which MM. Reynaud and Pinay finally had their say, the deputies accepted the government's proposal to disperse until November. M. Mendès-France, however, promised to recall them as soon as there are any new developments in foreign policy. The deputies can thus relax, gauge the mood of the electors and prepare for new battles. The Ministers, on the other hand, will have no time for holiday. Not only must the government produce its first economic decrees, but it will also have to take advantage of the parliamentary respite to forge relentlessly a substitute for the EDC.

WFTU Seeks a Comeback

BY A CORRESPONDENT

SINCE the free trade unions parted company with the World Federation of Trade Unions in 1949, the most effective operations of the Communist-controlled trade unions have been in the "colonial and semi-colonial countries" where the trade union movement is young and inexperienced. These operations have been given high priority. The Communist victory in China has provided both an impetus and an additional ideological justification for the correctness of this line in the form of "Maoism." It provides an invaluable second string to action through the industrial proletariat which has so often and so obviously failed to behave as the Communist textbooks say it should.

The WFTU's concentration on the under-developed areas is indeed partly a reflection of its failure to make headway in the trade union movements of the more industrialised countries. Attempts at penetration have of course gone on unceasingly. Since the split, the tactic has been "unity from below" combined with manœuvres to place upon the leaders of the free trade union movement the onus of "dividing the working class." Now that "peaceful coexistence" is tending to supplant "cold war," the climate has become more propitious for the tactic of "unity from above."

Nothing would better suit the Communist book than the restoration of the *status quo ante*, with a single world trade union organisation controlled by the Communists and their fellow-travellers and used for their purposes. But clearly the time for this is not yet ripe. After five years of separation, the resumption of conjugal relations requires a period of courtship interspersed with invitations to take a trip behind the Iron Curtain.

The preliminary overtures can be seen in the agenda of the Trades Union Congress, in the shape of three resolutions and an amendment calling for "discussions" or "talks" between the free and Communist trade unions. The objects are various: in one case, "a common programme of economic demands"; in another, "to resist the depressions and slumps"; in a third, "to consolidate world peace." The object is irrelevant, provided that it is one which will evoke a favourable reaction. The real point is the "get together." This seemingly innocuous proposal veils the assumption that it is worth while talking with the WFTU on these or any other subjects, as if it were an organisation capable of determining its own policy.

Implicitly, these resolutions treat the WFTU as an organisation parallel and similar to the free trade union organisation, the International Confederation of Free Trade Unions. Since this is precisely the position which the former has sought to establish for itself they play straight into the Communist hand. Yet they are not necessarily Communist-inspired. The unions responsible for them—the engineers, public employees, tobacco workers and vehicle builders—are "left-wing" unions, but with one possible exception they are not Communist-controlled.

The appearance of these resolutions on the Congress agenda is due primarily to the fascination which the Soviet myth still exerts over a considerable section of the labour movement. The idea of workers' solidarity is transposed to the international plane (which is feasible) and the WFTU is accepted as representing the workers (which is not). This emerges most clearly from the Tobacco Workers' resolution which calls for "talks between the ICFTU and the WFTU so that the workers of all countries can get together."

So strong is the appeal of workers' solidarity and so great the confusion about the WFTU that the normally level-headed National Union of Mineworkers has also succumbed. Another seemingly harmless resolution calling for "international trade union unity" slipped through the Union's executive and was endorsed by the Conference. At the Trades Union Congress, therefore, the considerable weight of the miners may be added to the four unions which have resolutions on the agenda.

A Tactical Blunder

The case of the Electrical Trades Union is very different. In July this union, which is Communist-controlled, submitted to the General Council of the TUC a resolution on "international trade union unity," and asked for a statement which the General Council undertook to provide. This statement, which the Council has now produced, summarises the postwar history of the international trade union movement, and rejects in no uncertain terms the proposal for negotiations with the WFTU or its affiliates. "If we were to try to negotiate," it says, "we would, in fact, be attempting to negotiate with people who have no power to do so"; and concludes, "Neither the ICFTU nor the TUC can seriously consider proposals for negotiation with organisations which have no power to negotiate."

If Congress endorses this statement, as is probable, the Communists would seem to have made a tactical blunder in providing the General Council with the opportunity of giving a clear and firm lead to Congress. But a rebuff in these early stages of the campaign will not deter them. They will keep pegging away at the point of weakness which emerges even in the General Council's statement where it is thrown on to the defensive:

> The British Trade Union Movement has been in the forefront in seeking the establishment of a united world Trade Union Movement . . . it was the General Council which sponsored the Congress resolution in 1943 which called for the establishment of an all-inclusive world trade union organisation.

What the Communists are working for is a repeat performance. So long as confusion about the nature of Communist "trade unions" persists they will have material to work on.

Sheikhs' Boundaries and Frogmen

THE British Government has this week named its representative—Sir Reader Bullard—for the arbitration tribunal that may set the ball rolling for some settlements long overdue—those of the undefined boundaries of a series of Arabian Sheikhdoms along the Trucial Coast. As was recorded in *The Economist* of July 31st, a five-man body is to put a civilised end to the dispute about the ownership of Buraimi oasis. This quarrel has for nearly two years troubled relations between the Saudi Arabians and their neighbours, the Sheikhs of the coastal belt; the British Government is involved because since the turn of the century it has protected the interests and foreign relations of these Sheikhdoms. As soon as the Saudis have appointed their arbitrator, the discussions about Buraimi can go ahead. Until then the oil companies with an interest in the matter —an American concessionaire on the Saudi side of the undefined line and one of mixed nationality on the other—are observing a "neutral" area.

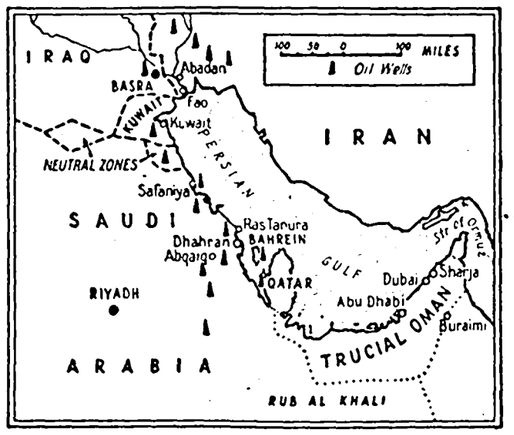
Buraimi is so remote that it is marked only on the best maps, and even these do not agree on what relation it bears to several boundaries. For it lies in a world so featureless that there are next to no traditional points to help with the demarcation of territory. For generations, the relative shape of a number of principalities has depended almost entirely on the personalities of Sheikhs whom a traveller not long before the war described as "a short-lived class." Till now maps have, therefore, been best drawn without boundaries, in the same way as the World Aeronautical Chart. Otherwise, they have been apt to suit the taste of their makers; for instance, the British Foreign Office, in its peace handbook of 1919, tidily located the western end of Abu Dhabi sheikhdom as adjoining the eastern end of that of Qatar, in preference to leaving an indeterminate and empty piece of coastline in between. By contrast, a map used by an American oil expert in 1951 showed the whole of the north of the Rhub al Khali (Empty Quarter) as Saudi territory, and restricted Trucial Oman roughly to the area north east of the town of Abu Dhabi. Somewhere between these two extremes there fluctuate *de facto* occupations by beduin whose allegiances also fluctuate. Dividing lines were immaterial so long as the quarter really was empty—that is, contained nothing covetable. The whole situation changes if, as is now suspected, it conceals a subsoil rich in oil.

No wonder, therefore, that there was a quarrel over Buraimi. It amounted to a trial run for establishing title to what may turn out to be valuable property. For here is one of the few landmarks in the area—an oasis consisting of eight villages. So long as its ownership remains in dispute, it constitutes a warning of the uncertainties that could poison relations not only between Arab neighbours, but between their backers in western oil companies.

This uncertainty about boundaries is not confined to landlubbers: it extends, unfortunately, to the seabed of the Persian Gulf, which is thought by more than one oil company to overlie further oilfields. If so, to whom do they belong? Offshore oil is a problem elsewhere and notably in the Caribbean. In 1945 Mr Truman proclaimed a doctrine that no one has since gainsaid—the doctrine that "jurisdiction and control over the natural resources of the continental shelf beneath the high seas" should belong to the country bordered by that shelf. This doctrine is practical, since adjacent installations on land are likely to be necessary, and it works wherever the continental shelf is a well-defined ledge to which there is no other claimant.

In the Persian Gulf, however, there is no shelf and no drop to any ocean bed; there are also shoals which emerge from the sea at low tide and raise queries about the extent of territorial waters; there are also eleven states or sheikhdoms claiming subsea rights in the gulf; there are, lastly, some which observe the three-mile limit to their territorial sea and others which proclaim a six-mile limit.

Beginning in 1949, and taking their cue from President Truman, first Saudi Arabia and Iran, and later the other rulers along the shore, unilaterally declared their jurisdic-



tion and control over the sea bed beyond their coasts; some of them added that the boundaries of such areas would "be determined in accordance with egalitarian principles" in agreement with the other states concerned "when the occasion so requires."

In 1949-50, the occasion arose. A Sheikh and two oil companies went to law because one of the Sheikhdoms, Qatar, sought to lease undersea rights round its shores to a company other than that which owned the concessions on Qatar peninsula. The latter contested the Sheikh's right to admit a second company; as the result of arbitration, it was agreed that all islands, all inland waters and all territorial waters were covered in the original land contract, but that submarine areas continguous to Qatar were not. In 1951, a similar award was made regarding the submarine areas off Abu Dhabi.

Today, therefore, in addition to the shore concessions held by the Arabian American Oil Company in Saudi Arabia, and by various subsidiaries of the Iraq Petroleum Company in the Trucial Sheikhdoms, there are two companies exploring undemarcated areas beneath the sea. Complete with frogmen, shark cages and, at times, the assistance of the world famous diver-explorer Commandant Cousteau, the Anglo-Iranian Oil Company is busy off Abu Dhabi and Dubai, and the Shell Company of Qatar Limited off the Qatar peninsula.

Submarine exploration is notoriously expensive; oil-

prospection there is said to cost anything up to seven times as much as prospection on land. Once the money risked turns out to be well spent, the chances that boundaries will be worth contesting are sure to multiply. In 1951, at the end of the Abu Dhabi arbitration case, the chief arbitrator, Lord Askwith, uttered the opinion that there were too many "ragged ends and unfilled blanks" beneath the Persian Gulf to warrant establishment of the "hard lineaments" of a rule of law. It would be wise to tie up these before oil discoveries fray them further.

Soviet Heavy Bombers

BY A CORRESPONDENT

THE development of Soviet heavy bombers falls into four distinct phases. Under the first and second five-year plans, the Soviet Union successfully developed a fleet of four-engined bombers—T.B.3s designed by A. N. Tupolev. In 1933 and 1934 the Russians possessed an operational fleet of several hundred four-engined heavy bombers. But in the second phase, the third five-year plan made little provision for the development of more modern long-range bombers and the T.B.3s were diverted to transport and training operations. In the five years before the outbreak of the war against Germany in June, 1941, the emphasis in Soviet aircraft production was on tactical light bombers and fighters.

In the spring of 1942, Stalin decided to reform the ADD Command (the Long Range Air Force) and to increase its strength and the scope of its long-range bomber operations. This was the beginning of the third phase. The only real strategic Soviet bombers, however, in the later years of World War II were the four-engined T.B.7 and P.E.8. The bulk of the long-range bomber units were fitted with American medium bombers such as the B.25C. (Mitchell) or the Soviet twin-engined D.B.3 and Ilyushin's I.L.4. By the end of World War II the effective operational bomber strength of the ADD was less than 500 bomber planes. They had no operational experience in the use of radar bomb sights or of navigational beam aids to bombing. The results they had achieved against targets in Germany, Poland and Rumania had been negligible and the standards of air crew training were low.

But since the end of World War II, the Kremlin has laid much greater stress than ever before on the development of long-range bombers. Stalin was deeply impressed by the effects of the Anglo-American heavy bombing in Germany and of course by the atomic bombing of Japan, and he gave instructions for the speedy construction of a modern heavy bomber force. In the last few months of World War II, the Russians had the good fortune to secure two or three samples of the American B.29 Superfortresses which were forced to land in Soviet Far Eastern territory. By the end of 1946 they had begun series production of a similar machine which was to be their first postwar strategic heavy bomber, the Tupolev 4; later versions, fitted with more powerful engines, were designated TU72.

This Soviet Superfortress type was originally fitted with four engines of 2,200 hp each; it can carry ten tons of bombs (or an atomic bomb) for a radius of action of nearly 2,000 miles. By 1951, however, the power of the radial engines had been stepped up to some 3,000 hp. The later Tupolev heavy bombers have a radius of combat action of 2,500 to 3,000 miles, and this is probably the maximum range of all but a few Soviet atom bomb-carrying aircraft today. It must be remembered, however, that the Soviet Union has developed flight refuelling and this should be practicable in wartime in the Pacific area due south of Alaska *en route* for the United States. It would give the latest jet or non-jet bombers a combat radius of action of over 4,000 miles.

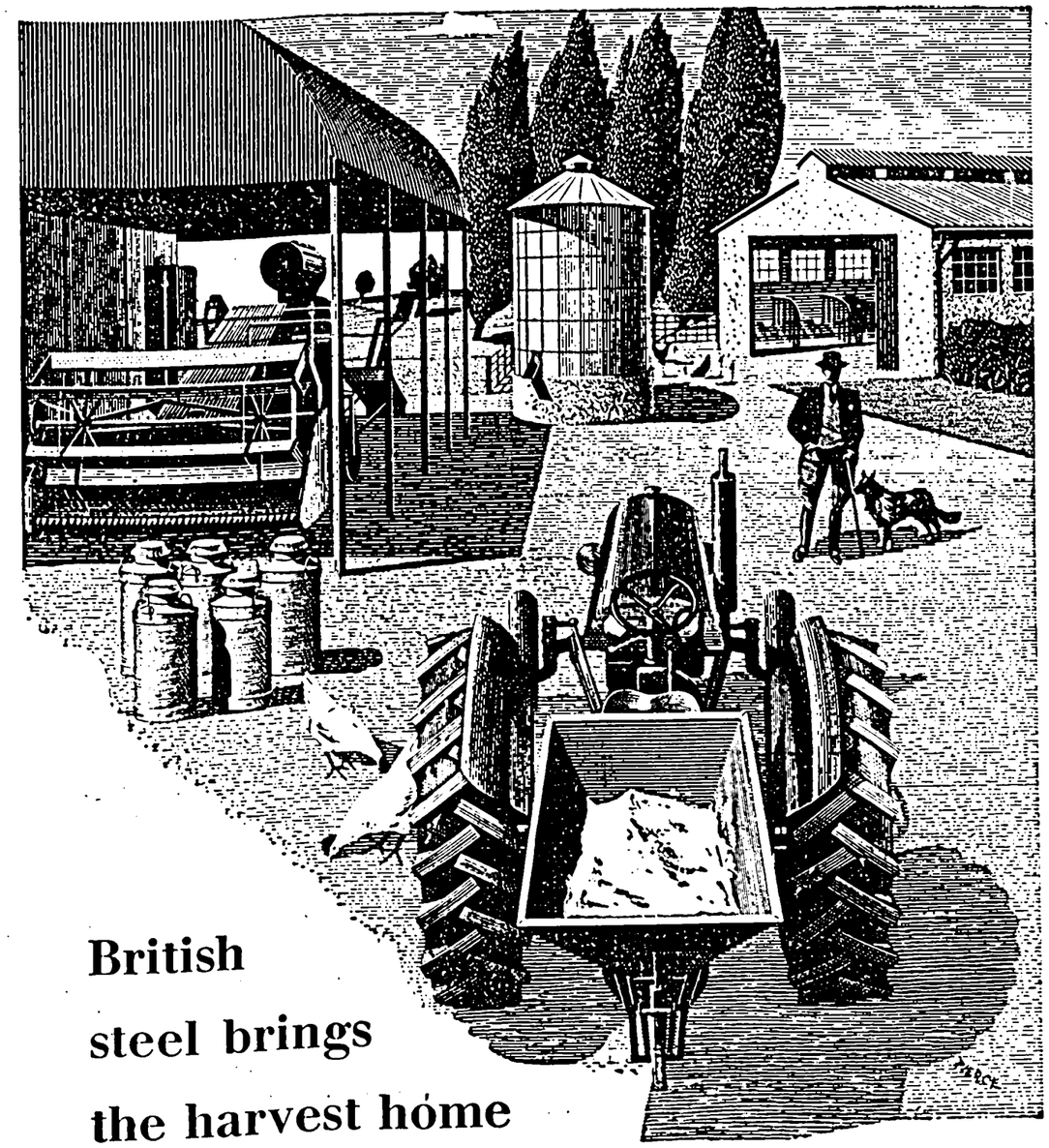
The last official statement on the size of the Soviet strategic bomber force came from General Twining who said early in 1953 that the Soviet Union had about 1,000 four-engined Tupolev bombers in its strategic air force. But these bombers are becoming obsolescent. With a maximum speed of only 350 mph, they will be as vulnerable to attack by jet fighters as were the B.29s in Korea by Communist MiG 15s. The development of Soviet jet bombers is therefore of great importance.

The new Russian heavy jet bomber with swept wings which was shown at the Soviet flypast over Moscow last May Day has revived speculation on the present and future operational capacity of the Soviet long-range jet bomber force. It is certain that the Russians have not, at the moment, a large number of jet bombers in their squadrons comparable with the American six-jet B.47; but they have ample numbers of medium bombers comparable with the British Canberra, such as the Tupolev 10 and the Ulyushin 28. In the first five years after World War II, the development of heavy jet bombers in Russia was slow, despite the great help received from German advisers. The 4-jet Ilyushin 16, though ready for flight trials by 1946, did not go into series production. Since 1951, however, there have been persistent reports of the development of long-range four- and six-jet bombers in the Soviet Union and the last six to nine months have yielded more precise information about them.

Progress with Jets

There seem to be at least three types of jet bombers which may shortly equip a number of the Soviet long-range bomber squadrons. First there is the bomber with six turbo-prop engines associated with the Soviet designers Tupolev, Ilyushin and Gurevich, who was one of the MiG 15 design team. This bomber has been named the TUG 75, and photographs of it were published last year. Its top speed is unlikely to be more than 425 mph so that it is much slower than the American B.52. The TUG 75 may have a combat radius of action of about 3,000 miles, which is comparable with the B.52. Then there is the Ilyushin bomber with 4 turbo-prop engines which is reported to be rather smaller than the 8-jet B.52 and probably has a combat radius of about 2,500 miles.

Finally there is the large 4-jet heavy bomber which flew in the air display over Moscow last May. This was a pure jet and not a turbo-prop machine, comparable in size with the B.52; for an aircraft of this size, the engines would need to be about 15,000 lb thrust apiece. If this is true, it means that the Russians have a jet engine as powerful as any at present in use or under active development in western air forces. The top speed of this new Soviet 4-jet bomber may well be about 625-650 mph—roughly as fast as the American B.52 or the big British bombers.



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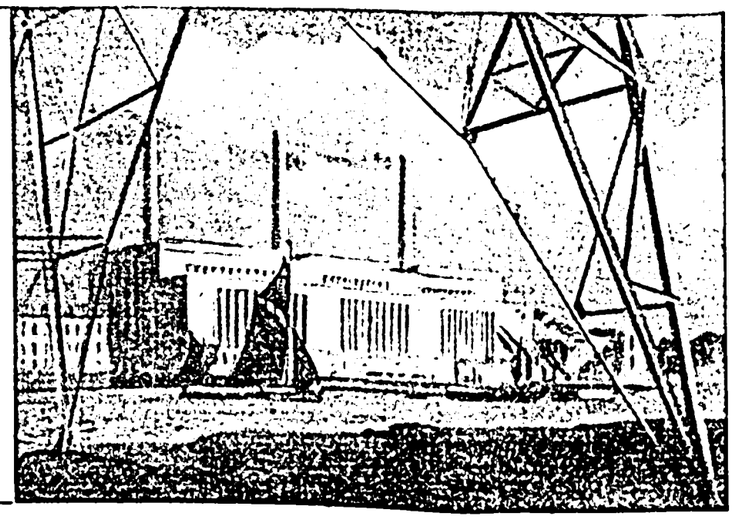
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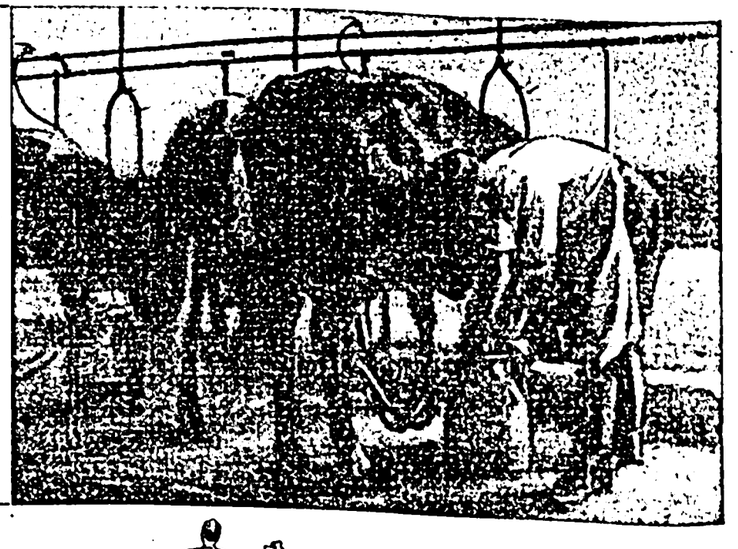
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THE BUSINESS WORLD

Popular Investment

SEVEN months ago, to a blare of trumpets, dealers in Wall Street began selling shares against regular monthly payments. The cavalry of American investors walked, trotted, but did not charge in answer to the call. Two months ago, to the blast of a single bugle, the Whitehead Industrial Trust inaugurated a similar scheme of instalment buying in this country. It must be doubted whether the infantry of British investors will break ranks to answer this summons. Yet investment is passing into the hands of institutions, and if the post-war redistribution of income is to work, the saving habit and the flow of investment must come from lower incomes more directly than through insurance premiums or pension contributions.

Britain can learn much from the United States. To learn should be to paraphrase, not simply to copy. The disconcerting fact is that while the scheme for buying shares against monthly payments in the United States has been successful enough to justify its continuance, the volume of new funds it has attracted into the stock markets has been less than was expected. At the end of five months of exhortation and advertising there were about 19,000 active monthly and quarterly investment plans on the dealers' books; about 120,000 shares, involving close on $4 million, had been bought under these schemes and total commitments to go on buying—commitments which can be revoked at will—approached $45 million. Since the initial flurry there has been a fall in the rate at which the new plans have been concluded, but, even so, between 100 and 150 schemes a day are being started. Monthly payments account for about 58 per cent of the business, with an average investment of about $70 a month. Quarterly payments, at an average rate of about $90, make up the rest. The plans have tapped a new, though tiny, market, for it is estimated that some 90 per cent of the investors under these schemes have never before owned equity stocks. It is much more a market of "white collars" than of "dirty shirts." The market has been broadened to this extent without drawing money away from the popular "mutual funds," but the inflow of business has not been big enough to make the instalment schemes a highly profitable business for the dealers themselves. Their commission barely covers the cost of launching and keeping the schemes afloat; the dealers' own outside agents may prefer to sell units in "mutual funds" where their rates of commission are higher. For the broker himself, the schemes so far are attractive only to the extent that collateral business has followed from the new contact.

The monthly investment plans have thus only just scraped out a corner for themselves in the giant American stock market, even though they were started in the fairest of all climates. In the United States the scheme was launched just at the right moment, when stock market values first began to climb; in Britain the boom is at least eight months old. The plan was fully backed by the prestige and power of the New York Stock Exchange and supported by extensive publicity; dealers in the London Exchange cannot, of course, advertise. Above all, the American plans were inaugurated in a country where thrift is not looked upon as an outmoded virtue nor investmetnt in shares as suspicious behaviour.

What sort of chance do similar arrangements stand in Britain, where the circumstances are so much less propitious? All the evidence suggests little chance. In times of great Stock Exchange activity, officials observe some increase in the demand for the lists of brokers willing to act for individuals lacking introductions, though the brokers who put their names on that list as a matter of policy have rarely gained a worthwhile client from it. The unit trusts, the obvious outlet

for the small investor, have been selling more units than they did a year ago. But most trusts still have a large number of uncancelled units on their books, available for sale if the demand were there. It seems that the unit trusts are still attracting the type of investor whom they attracted in the past; the average new investment is still as high as £300. And the successful issue by the Bank Insurance group of units heavily weighted by investment trust shares hints, though nothing more, that the unit trust market is still dominated by the "nest egg" investor who has some inkling of the principles of investment. The failure of the scheme by the Orthodox Unit Trust to sell its units in factories against small but regular payments from wages strengthens this conclusion. That attempt broke down because the workers were apathetic and the managers had their doubts what the workers would say if the units depreciated in value.

Bravely, perhaps rashly, the Whitehead Industrial Trust has gone out into this unfavourable weather with its own scheme for selling shares against monthly cash payments. The details of its plan follow closely those of the American models, with the important difference that the trust is not a member of the stock exchange—it is an issuing house that happens also to be a dealer in stock and shares authorised by the Board of Trade. Therefore, the Trust can advertise its scheme. Any orders it receives will be passed on to brokers who will retain all the commission on the transactions. The Trust provides an expensive handling and advisory service, the reward for which will be indirect but possibly substantial. With each of its advertising pamphlets, the Trust sent out a prepaid business reply card, which the potential investor is asked to fill in if he wants details of the Trust's new issues; the hope seems to be that these new investors will swell the list of the Trust's clients receiving a slice of its new issues on underwriting terms. Reference is also made to high yielding ordinary shares as possible though risky outlets for investment; most of the Trust's new issues have been pitched on a yield basis of between 10 and 15 per cent. The danger is that the small investor may learn to think of these yields as consistent with sober investment policy.

The conclusion must be that there is little prospect for monthly instalment plans in this country. Can anything encouraging the wider ownership of shares be put in its place? There does seem to be one opportunity: that is to give a fresh impetus to the sale of trust units. The unit trust does offer the investor a spread of risks and dealing and procedures fully protected by law, though the effective cost of dealing to the investor is usually higher than in an industrial blue chip on the Stock Exchange. A fresh drive in this direction, if it is to gain any success at all, would require publicity that not merely sold a product but educated the buyer too. But no one should expect miracles.

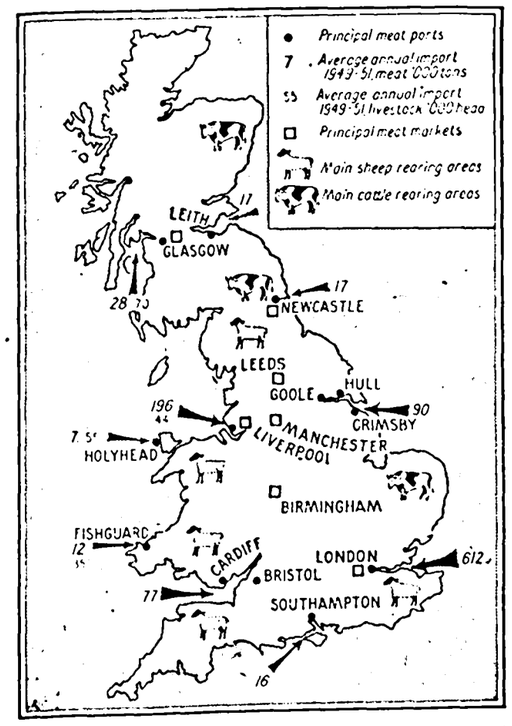
Moving Britain's Meat

A FEW weeks ago, the 574 meat trucks that British Road Services has owned since 1947 were put up for public tender. Meat haulage businesses were specifically exempted from nationalisation; they were thought to be sufficiently well organised already under the national "pool" that began during the war and lasted as long as meat rationing. But almost one-third of the chartered meat fleet did in fact eventually fall into the hands of the Road Haulage Executive. This was through the acquisition of other road haulage businesses, including the vehicles operated by the old railway companies, and through voluntary sales. Most of this fleet has since been on charter to other firms; firstly, to Meat Transport Organisation, Ltd. (MTOL), the company hurriedly formed at the beginning of the war to operate the transport pool; and secondly, since last July, to United Carriers, Ltd. (UCL), its privately organised successor.

The appearance of UCL after the meat trade was decontrolled—an attempt to replace a public monopoly with a private organisation run on broadly similar lines—has caused some controversy inside the meat haulage business. But UCL has now obtained the support of more than three-quarters of the chartered hauliers (i.e., those engaged in meat haulage alone, and formerly under contract to the national pool), owning some two-fifths of that section of the meat fleet; and between a third and a half of the contracting or casual hauliers, with some 40 per cent of the fleet that carries meat in conjunction with other commodities, have also decided to join. As a result of preliminary enquiries amongst potential buyers, the Road Haulage Disposals Board has arranged for the BRS vehicles to be sold in six lots, one large lot containing 497 vehicles and five smaller lots ranging in size from 50 vehicles to two. Tendering will not be completed before October, but it is expected that a company will be formed by the meat carriers making up UCL to purchase the bulk of these vehicles, which they are already operating on charter. If this happens, then the proportion of chartered vehicles owned by members of UCL will rise from two-fifths to about three-quarters.

Although the members of the new organisation retain their individual entity, the form of organisation that has been adopted definitely prevents independent operation. All except a handful of member firms have subscribed £75 apiece towards the share capital of UCL, and are committed to membership for a minimum initial period of two years. Chartered hauliers hand over their accounts to UCL for collection, in return for weekly payments for expenditure incurred on work done, plus an additional 10 per cent of their own gross takings, and a share in any profits the whole organisation makes after dividends have been paid to shareholders. Casual hauliers, who must obtain their contracts through or with the approval of the organisation, receive their gross takings less a 10 per cent deduction for administrative costs and "development."

The principal advantage that a small haulier sees in such an organisation is that work will be shared out "equitably." For the fifteen years of government control this has been the established practice in the meat trade and it has apparently appeared to most of the hauliers to be a convenient arrangement worth continuing, even though the premium they pay for it is high. Meat traffic is usually one-way traffic, and UCL claims that it will be able to arrange return loads of butter, margarine, and other "clean-case" goods more ably than the hauliers could themselves. The control and "levelling out" of freight rates, the sharing of business, and the fixing of profit margins could certainly lead to the retention in business of too many inefficient firms. This has caused a number of the largest charter hauliers who are confident of expanding to their share in the business, to remain outside UCL and they may act as pacemakers in technical and sanitary improvements for the rest; but it is not a consideration that distresses many of the small men.



United Carriers will by no means have a monopoly of meat traffic. In the first place, the Ministry of Food contract with MTOL came to an end on July 5th, and anybody with an "A" or "B" licence has been able to advertise and compete for work, and anyone in the meat business with a "C" licence to carry his own meat. Although some 1,100 of the 1,500 or so chartered vehicles, which carry most of the business, will remain in the new private pool for the next two years, plus approximately 700 or 800 of the 1,800 vehicles engaged on casual work, some 20,000 or more "C" licence vehicles are run by butchers, farmers, and cold storage depots up and down the country and are "predominantly engaged" in the transport of meat. Most of this work will be local; for longer distance haulage UCL will meet with competition from the railways. Equipped with large numbers of specially insulated or ventilated meat containers and waggons, the railways have been responsible for transporting about one-third of the meat that has been moved around the country in each of the last few years. The total "lifted" by all forms of transport in a year comes to about 5 million tons, but this total includes a very large degree of double counting, arising from the movement of meat by road or rail more than once. As rail hauls tend to be longer than road hauls, the railways probably have a somewhat larger share in terms of ton-miles. With their new powers to vary freight charges, the regions should now be able to compete more effectively still with road hauliers.

Livestock movements, which in recent years have amounted to a total "lift" of about 1¾ million tons, almost equally divided between road and rail, are entirely outside the hands of UCL, even though the Government pool was responsible for transporting cattle from collecting centres to the slaughterhouses. Livestock hauliers were left free to compete for the work of carrying cattle from the farm gate to the collecting centres; they have, perhaps as a result, almost unanimously declined UCL's invitation. There are perhaps 4,000 or 5,000 vehicles carrying livestock under "A" or "B" licences and a further 5,000 or so "C" licence lorries and vans working mainly in this type of traffic.

Most of these hauliers are small men owning one or two trucks each; there are very few firms with more than 20 vehicles. In most parts of the country they have set about organising their own regional pools. These vary from the one centred in Reading, which is almost as formally organised as UCL, to others further north that have been limited merely to the working out of agreed rate schedules and to arranging contracts with the local transport officer of the Fatstock Marketing Corporation. The bacon and ham division of the Ministry of Food was inherited almost in its entirety by the Fatstock Marketing Corporation. UCL succeeded in obtaining the Corporation's meat contract, but it failed to obtain a similar contract for livestock. The regional groups of livestock hauliers will now handle

most of this business, which will, however, account for only about a fifth of all livestock movements by road. The remainder is expected to be handled by farmers and purchasing butchers using their own "C" licence vehicles or dealing direct with a local haulier.

Meat has now been off the ration for about two months. The pattern of distribution, after fifteen years of close control, will obviously take some little time to fall into decipherable shape. In 1953, meat consumption totalled 2¼ million tons, compared with 2¾ million tons before the war; just over half of total supplies came from home production, compared with just under half in the mid 'thirties. The movement of meat between farm gate, port, and the customer goes through an intricate network. Ninety per cent of recent imports have arrived at the specially equipped ports located on the four principal English river estuaries—Thames, Mersey, Humber and the Bristol Channel. About 300,000 to 400,000 head of Irish cattle arrive each year at west coast ports ranging from Glasgow in Scotland, to Fishguard in Wales. A further 16 million head are driven off British farms each year to the 3,700 licensed abattoirs. After slaughtering, the meat may be sold at one of the six or seven principal markets or at one of the hundreds of meat depots spread across this country. Some of it is stored in the 320 public cold storage depots. Eventually all of it finds its way to the 36,000 local butcher shops serving towns and villages throughout the land and to the countless catering establishments that use meat. This is an industry that has had fifteen years of security in its fetters; and for the first few months of free trading a caretaker organisation in the meat transport business may serve a useful purpose while carriers regain their feet amidst this complicated pattern. But in the long run the test is still service to the customer; and it is very doubtful indeed whether this will best be supplied by businessmen who put security before freedom to compete.

Business Notes

Wool Prices Fall

THE Achilles heel of the sterling area has been briefly on view this week. The new season's Dominion wool auctions opened in Adelaide and Sydney at the beginning of the week, followed by South Africa at the end of the week. London starts up next week and New Zealand on October 27th. So far prices from Australia show a fall of rather more than 10 per cent compared with last season's close, thus confirming and carrying a little further the marked decline at the London July auctions (the only important between seasons sale). Any monetary system that includes Australia and the Australian wool cheque (about £400 million last season) on the credit side of its balance sheet must be susceptible to downward movements in the price of wool. The present decline is not so far an occasion for either alarm or despondency; on the improbable assumption of neither a further decline nor a recovery the present fall would involve an inroad of the order of £25 to £30 million into Australia's wool earnings, and that would embarrass no one seriously.

Naturally if the decline were to go much further the occasion for reassessment would have arrived, and at the moment it is still not certain that the fall has stopped or a new basis found. It can however be claimed that the trade is not behaving as though it expected the bottom to fall out of the wool market. Bradford tops, after a downward readjustment of their nominal holiday period quotations, are closely in line with raw wool. So is the London wool futures market, but without any rush to cover in it such as both producers and consumers might have made if they had really lost faith in the commodity. Most significant, the sale of English wool in Bradford on Wednesday showed strong home trade buying at prices fully firm compared with the English wool sale in Leicester last July. This was largely crossbred wool of combing quality and confirms the verdict of the Australian auctions that the weakness is concentrated on merinos while demand for crossbreds remains strong.

Balanced Supplies

THERE is no evidence of a cumbersome surplus of wool. As supplies and probable consumption look at the moment there is a surplus this season (beginning July 1, 1954) of only a little over 100 million lb clean weight, taking the world consumption at 2,470 million lb (the second quarter's rate), the new clip at 2,550 million lb, and the surplus of American wool in the Commodity Credit Corporation at 58 million lb. The figures contain plenty of margin for error; they are based on the assumption, which is no certainty, that the surpluses in South America have been cleared apart from a relatively small accumulation of carpet quality wools in Argentina and that consumption will be maintained at recent levels, which seems justified by the fact that public spending power remains high.

It does not appear that there is any major trend adverse to wool consumption yet in operation, though there are in some countries, including Britain, signs of a shift towards the cheaper qualities of wool. The marked narrowing of the difference between merinos and combing style crossbreds has something to do with this. In one particular the trend to introduce synthetics into wool cloths has actually been checked. The US Army, after prolonged experimenting with uniform cloths containing 15 per cent nylon, is in process of placing large orders for a pure wool serge; the only question is understood to be the period over which the orders will be spread.

The exceptionally fine wool season just ended owed much in its first half at least to rebuilding of trade stocks to the level needed to carry a much increased volume of business. That refilling of the pipe line, once accomplished, will not be repeated. Had spinners and topmakers still been short, the London July auctions, which provide the only quick supplies between the seasons, would not have shown lower prices, and Bradford would not now be able to adopt a cautious buying attitude in Australia. But Bradford buyers are moving cautiously, taking full advantage from the facts that the Russians are out of the market, the Americans have about 58 million lb of Commodity Credit Corporation wool to fall back upon, and the Japanese are terribly short of sterling. These factors are still at work and prices may sag a little further. Wool is not scarce at the mills, but it remains a question whether Bradford and Western Europe are not in some need of New Zealand type crossbred wools. The New Zealand auctions do not start until late October, and wool bought there will not be available in the mills until the new year. Next week's London auctions are therefore the only source of prompt supplies.

Buoyant Reserves

THE gold and dollar reserves, when the special and seasonal factors that affected them in August have been taken into account, are still showing a heartening buoyancy—though no longer, of course, the exceptional rising trend that was enjoyed last spring. The total reserve at end-August was $2,918 million, or $95 million less than at end-July, but the figures were again dominated by a large capital payment—the $112 million transferred to the International Monetary Fund in order to reduce its holding of sterling to the basic level and thus to wipe the slate clean of the dollars that Britain bought from it during the crisis of 1947-48. American defence aid received during the month was slightly less than in July, at $11 million. If these two items are excluded, it will be seen that there was a "true" surplus of $6 million. This is the smallest surplus since last autumn; but since this, as the recent trend of sterling has plainly shown, is the period of seasonal strain, it cannot be regarded as unsatisfactory. In August, 1953, there was a deficit of $6 million, followed by one of $11 million in September.

The improvement upon the performance of last year was wholly due to the EPU portion of the account, which produced a gold receipt by Britain of $11 million (on account of transactions in July), whereas twelve months ago Britain was paying gold to EPU. The September settlement with EPU will involve a gold payment of $11 million, since Britain's account for August showed a deficit of £8 million, of which one-half has to be discharged in gold. It is understood that this deficit arises from a draft by France on her London balances in August in order to make a repayment to the British Government this month. The two operations will naturally be self cancelling.

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			
June, 1953....	+ 18	+ 10	+ 8	+ 28	+ 46	2,367
July, 1953....	+ 53	+ 2	+ 51	+ 36	+ 89	2,456
Aug., 1953....	− 6	− 6	Nil	+ 19	+ 13	2,469
Sept., 1953....	− 11	− 15	+ 4	+ 28	+ 17	2,486
Oct., 1953....	+ 21	+ 6	+ 15	+ 13	+ 34	2,520
Nov., 1953....	+ 17	− 15	+ 32	+ 24	+ 41	2,561
Dec., 1953....	+118	+ 4	+114	+ 20	− 43*	2,518
Jan., 1954....	+ 10	− 4	+ 14	+ 15	+ 25	2,543
Feb., 1954....	+ 9	+ 7	+ 2	+ 31	+ 40	2,583
Mar., 1954....	+ 88	+ 2	+ 86	+ 14	+102	2,685
April, 1954....	+126	+ 7	+119	+ 9	+135	2,820
May, 1954....	+159	+ 39	+120	+ 6	+165	2,985
June, 1954....	+ 29	+ 15	+ 14	+ 3	+ 32	3,017
July, 1954....	+ 76	+ 4	+ 80	+ 15	− 4†	3,013
Aug., 1954....	+ 6	+ 11	− 5	+ 11	− 95§	2,918

* 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.
† After taking account of payments totalling $99 million in mid-July direct to creditor countries in EPU in initial settlement of the U.K.'s overdraft with the Union.
‡ EPU settlements in any month depend on the surplus or deficit with Europe in the previous month.
§ After payment of $112 to IMF for "repurchase" of sterling.

Coal and the Boom

NO signs of any significant slackening in the industrial boom can be traced in the latest statistics of output. Production in July appears to have been about 5 per cent higher than a year before; allowing for the shifting incidence of holidays within industry, this is roughly in line with the increase of some 6 per cent achieved during the previous twelve months. In its latest bulletin, the London and Cambridge Economic Service estimates that a continued growth at 5 per cent per year would take the industrial index by the end of the year to about 130 (1948 = 100), and make the average for 1954 about 128, or 6 per cent higher than in 1953. Assumptions that output either remained constant until the end of the year at the June level, or that it regained the sharper rate of increase attained between mid-1952 and mid-1953, would give a range of 127-134 for the figure at the end of this year, but would not affect the annual average much. Indus-

try this year is benefiting from high and steady demand, full employment of machinery, much of it new, and improved supplies of materials.

Only one material, for a time, seemed liable to limit the growth of output this year. The bulletin comments upon the slow rise of coal output, particularly by comparison with other sectors of the economy, and its possible implications. In the last five years industrial output has risen by more than 20 per cent, while coal output has risen by less than 9 per cent. Industry, including gas and electricity, increased its consumption by only 11 per cent, while the railways have cut their consumption by a million tons a year; supplies to other consumers have been broadly unchanged. Over the five years, fluctuations from the general trend have been taken care of by using stocks of coal and varying exports and imports. But stocks offer smaller margins this winter; the surplus coal saved in 1952-53 has by now mainly been used up.

On August 21st total stocks of coal amounted to about 16 million tons, 1¼ million tons less than a year before. Cumulative output from the mines, at the end of last week, was just under 2½ million tons up on the year. Nobody in the industry now hopes that the increase of about 5½ million tons that was aimed at by the Coal Board and the miners' leaders can now be achieved; it is being questioned whether the increase during the full year will actually exceed 3 million tons. The London and Cambridge bulletin, working on figures to mid-July, holds that stocks at the beginning of the winter might total about 18 million tons, much less than in 1952 or 1953, and considerably less than the industry now considers desirable in consumers' stocks alone. That assumes imports of about a million tons, which may certainly be as much as the Coal Board can land by the end of October; but the current indications are that it may bring in considerably more coal than that during this winter.

Gussies Opportunities

BOUNDING along at record prices (they touched 115s. 6d. on Thursday) the 5s. ordinary shares of Great Universal Stores mark the investors' satisfaction with the record dividend and profits for the year ended March 31st. The buoyant market also shows investors' conviction that the period of growth in that enterprise is not yet over. Mr Isaac Wolfson, the chairman and managing director, does not dissent from that view. His speech which accompanies the full accounts gives this summary:

> Given normal circumstances, I have every confidence that the expansion we have seen in the past will continue in the future, and that our turnover which, I am of the opinion, is already as great as any similar undertaking in Europe, has many opportunities for further increase. Finally, I am pleased to state that for the period to date sales volume and consequent profits again show a satisfactory increase as compared with the same period last year.

What are the factors in the expansion that has carried the consolidated balance sheet total up to £80.3 million on March 31st, compared with £67.2 million a year earlier? There is first the company's vigorous policy of expansion. Mr Wolfson is for ever buying something (though he has also been doing some judicious pruning on the manufacturing side of the business). And he is still buying; on Thursday he announced that he had on August 31 sought permission to issue one "A" ordinary share in exchange for each ordinary share of Jones and Higgins. Thus he improves on his previous offer of £4 10s. and Henry Ansbacher's offer of £5, after the Jones and Higgins directors had dug in their toes and announced that the shares were worth £6 on asset values. Secondly, there is the group's mail order business—its traditional backbone—which Mr Wolfson announces has developed significantly during the year, and last but not least there is hire purchase.

The group accounts show gross hire purchase debts of £40.4 million, compared with £33.5 million, and other instalment debts (not strictly hire purchase) of £11 million, compared with £7.5 million. The accounts cover a period before the hire purchase restrictions were withdrawn, but in furniture, which is one of the biggest (textiles and clothing is the biggest) sections of the business, hire purchase was not recently restricted. There is nothing apologetic in Mr Wolfson's attitude to hire purchase. He believes that it contributes to a higher standard of living, good citizenship and responsibility. Who finances this enterprise? Great Universal Stores does not apparently discount his hire purchase paper in the market to any great extent. The group has no overdraft in this country, but has borrowed from the banks £2.7 million, against £2.3 million; for the Canadian and South African businesses he has other loans of £607,000, against £398,000, and his creditors, accrued charges and bills payable are £19.8 million, compared with £18.1 million. By far the greatest part of this last item is matched by physical stocks of £16.2 million, against £16.1 million.

Save to a small extent, the hire purchase finance is therefore being financed with shareholders' money; the reserves (including tax reserves) of £27.1 million, against £20.7 million. The group has carried £3.2 million, against £2.4 million, to revenue reserves this year. But shareholders, who reap the benefit, should have no complaints.

Wide Screens and Small Cinemas

THE improved trading results announced this week by the J. Arthur Rank Organisation (which are discussed in a Company Note on page 766) offer fresh evidence that the sharp decline in business at the box-office experienced between 1950 and mid-1953 has for the present been checked. But they also tend to confirm what the recent Board of Trade statistics of the cinema trade have suggested—that it is the large cinemas which have achieved the lion's share of this modest recovery, leaving a significant proportion of the independent exhibitors who operate smaller halls in circumstances that are still worsening.

Those hardest hit are not the very smallest cinemas, tiny halls with fewer than 250 seats; such village cinemas often enjoy a monopoly position simply because more powerful competitors can find more profitable ways to employ their money than by opening other cinemas nearby. It is the cinemas with between 250 and 1,000 seats—which will include a large proportion of small urban halls that are subjected to the competition of the circuits' "super-cinemas"—that were continuing to decline in admissions and net takings until the reductions in Entertainments Tax and the recent effective reduction in the Eady levy began to operate. These small cinemas cannot manage with the tiny staff of the village halls; their wages costs alone account for a significantly larger percentage of net takings than wages in the largest cinemas—where business has in any case been improving in the last twelve months.

Some share of the credit for halting the general decline in cinema business, guess it how one will, must go to the wider screens and the three-dimensional novelties that have blossomed in British cinemas since last summer; and this is the grimmest omen of all for the small cinema. Not all of these cinemas are physically large enough to instal wide screens without sharply reducing the number of saleable seats. But the difficulty that affects most of them is simply finding the money to convert for these new visual techniques; the much higher initial costs of "stereophonics," for what that is worth, may put such added refinements quite out of reach. It is hardly surprising that such independent exhibitors should constitute a very hard core of opposition to suggestions that the exhibitors should make any considerable concessions to other sections of the industry when it comes to sharing out the benefits of reduction in Entertainments Duty. They cannot afford the generosity of the larger circuits—who have of course a foot in more than one of the industry's camps.

A Plum from Vickers

AFTER Vickers had reacquired the majority interest (75 per cent this time) in English Steel Corporation and after it had become evident that orders for the Viscount were rolling in, the reappearance of the company as a big borrower in the capital market causes no surprise. Yet the absorption of working capital into this great engineering, shipbuilding, aircraft manufacturing and armament group is noteworthy. No less than £15.3 million government stock (which realised £14 million cash) came in in 1951 from the nationalisation of English Steel. Vickers paid out £7½ million to re-acquire its stake in the equity. The whole of the remaining £6½ million and all the rest of the liquid assets at the date of the last balance sheet have been virtually absorbed into the business and the group is now a borrower from its bankers. Moreover, it is worth remembering that English Steel is no longer financed wholly by its owners—Vickers and Cammell Laird: £10 million of Government money remains in the business on a prior charge, of which Vickers has in effect the benefit of £7½ million.

So Vickers comes to market—technically to its stockholders and debenture holders for money—and the offer is such that the money will be forthcoming eagerly. Shareholders are offered, as briefly reported last week, 3,078,871 ordinary £1 shares at 27s. 6d. in the ratio of one for eight and without participation in the interim dividend due in October this year, which the board now reveals will probably be 2½ per cent. The existing ordinary shares stand at 39s. 6d., so that stockholders are offered something worth while. The new shares were quoted at 13s. 6d. premium when dealings began, then touched 14s. premium before coming down to 13s. 1½d. premium.

For the bulk of its new money Vickers is in the fashion in issuing an unsecured loan stock—£6 million of 4 per cent stock 1962/69 at £98½. It is offered—not as rights—to stockholders and debenture holders. They should use their opportunity. The stock is likely to enjoy a ready market with the institutions. Redeemable at £102 between 1962 and 1964, at £101 between 1964 and 1967 and finally at par after 1967, it gives a running yield of £4 1s. 3d. per cent, a redemption yield of about £4 3s. to redemption at the last date and of about £4 10s. to redemption at the earliest date. It enjoys attractive security in that the company will be precluded from creating additional mortgages in front of it for more than about £2,850,000 and the operating subsidiary Vickers-Amstrongs will be forbidden to raise mortgages outside the group, while its temporary borrowings will be limited to about £4 million.

Flanked by the directors' cautious forecast that Vickers group earnings this year will not be less than those for 1953 and by balance sheet assets of more than £62 million, the institutions may think the new stock is just what they want and be willing to pay a modest premium for it. The board is fortunate in being able to woo those powerful investors without neglecting the true interests of the company. Apart from the possibility of English Steel being re-nationalised, there is justification for an armament company such as Vickers raising part of its capital by medium term finance. Sooner or later the peak of rearmament must pass and it would be handy to have some capital falling due for repayment just when the volume of stock and work in progress was running down.

FCI Lends More

FINANCE Corporation for Industry, the City institution that finds finance for big industrial enterprises to which for one reason or another normal sources of finance are not available, has again increased the scope of its activities. For the year ended March 31st,

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the chairman, Lord Bruce, announces £11 million of new business compared with between £4 and £5 million in the previous year. The record is the more remarkable in that the biggest of the Corporation's activities—the financing of the steel industry—was declining during the period. In the period when steel was threatened with nationalisation but not yet nationalised Lord Bruce made it his special task to help the industry find the money for its great development programme. With the Steel Company of Wales a big customer the investments in steel had by March of last year reached nearly £39½ million. This year the investment had come down to £36.3 million and the Corporation obviously could have reduced its steel investments further by calling upon the Realisation Agency to take over with Government money.

But Lord Bruce is in no hurry to get out of steel. He foresees a new demand for finance from a newly constituted privately owned steel industry, and in his mind but not on paper, holds the steel money available for steel again. Meanwhile the Corporation has received a handsome sum (£2½ million) in compensation for the loss of its rights to convert its loans largely to Steel Company of Wales into equities—a right that was lost when steel was nationalised. The compensation brings the Corporation's net profit for the year up from £200,962 to £2,652,474, and the whole profit is again employed in writing down investments; the institutions who have subscribed the share capital are not greedy for dividends.

The non-steel activities of FCI have been expanding. The non-steel investments are up from £21.4 million to £22.6 million and the commitments for future loans from £11½ millions to £18.3 millions. When allowance is made for the fact that these figures conceal some substantial repayments of investments—for example the sale of the Perkins shares—the growth has been substantial. It includes the backing that has been given to Air Finance. And it includes some quite exceptional risks that the corporation has thought it right to take in the public interest. One of these—the sinking of £8½ million into Petrochemicals—is still in the category of "risk capital." The company is, however, now understood to be making a trading profit, though not yet enough to cover depreciation and interest on borrowed money. Some day, no doubt, a capital reconstruction will have to take place.

Local Financing

THE Treasury has now fulfilled the Government's promise of June 4th to relax some of the rules under which local authorities borrow money from the Public Works Loans Board. The effect of the letter that has been sent to local authorities is that the Public Works Loan Commissioners have been given discretion to waive for certain loans the condition requiring the loans to be repaid in the maximum period authorised for repayment by the sanctioning department. Thus local authorities who finance their programmes can, if they wish, borrow shorter (and therefore cheaper) money from the PWLB than implied by the length of the relevant sanction. The concession came into force on August 30th and does not apply to any advances made before then. Nor does it apply where there is any Exchequer grant directly or indirectly linked to the loan charges. Obviously it would not be practicable to allow the local authority to repay more quickly if the burden of that quicker repayment fell on the Treasury in the shape of an increased grant.

That rule makes the concession applicable to loans for housing but excludes the financing of schools from it. In borrowing for schools, repayment will still have to coincide with the period of the sanction. It may be doubted whether even with housing local authorities will make much use of the concession. Sixty year loans at the PWLB's long term rate of 3¾ per cent is not an unusual term for such borrowing. To get the next cheaper tranche of money (3½ per cent) the local authority would have to come right down to 15-year borrowing and would have to repay by instalments in that period; the burden of such quick repayments might react heavily on the rates. The Treasury's concession does not really compete with the main attraction which borrowing through the market or through private mortgage holds out to the local authorities. Loans floated through the market are not amortised by regular repayments and the immediate burden on the rates is less, even though the market rate of interest is often no lower than the government's.

Ships at Fixed Prices?

WITH a fleet of ships entered in the books at a net value of over £21 million and with uncompleted liabilities for ships under construction of nearly £10 million, the chairman of Furness Withy, Sir Ernest Murrant, has a right to strong views about shipbuilding costs. In his statement with the annual accounts of Furness Withy, accounts which bear the mark of lower freight rates, a smaller volume of business and high operating costs, he argues that now the Government has done its part with the 20 per cent investment allowance it is the turn of the shipbuilding industry to make its contribution. Sir Ernest hopes, of course, that the investment allowances are not the last concession that the Government will grant to the shipping industry, but his principal plea is that the shipbuilders themselves should reduce costs by achieving higher productivity and, of far greater immediate importance, accepting orders at fixed prices. All the customers of the British shipbuilding industry, both at home and abroad, would endorse that plea.

The shipbuilders themselves are also becoming aware that it is the customer that now calls the tune and they are beginning to listen to such arguments as Sir Ernest's with anxious sympathy. They realise that, even though the liner companies may wish to replace their obsolescent ships methodically if they are not to lose their share of the market, a prolonged period of low freight rates is sufficient in itself to discourage shipowners from placing orders for new ships. They realise too that the ship-owners may worry whether ships built in recent years at a high capital cost will turn out ultimately to have been sound economic propositions; that risk looms all the larger if new ships have to be ordered at prices that automatically slide upwards with every increase in costs.

Many shipbuilders are therefore aware that fixed prices and firm delivery dates will have to be quoted if the flow

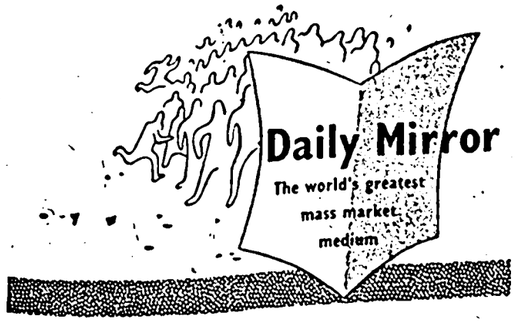


Are they going your way?

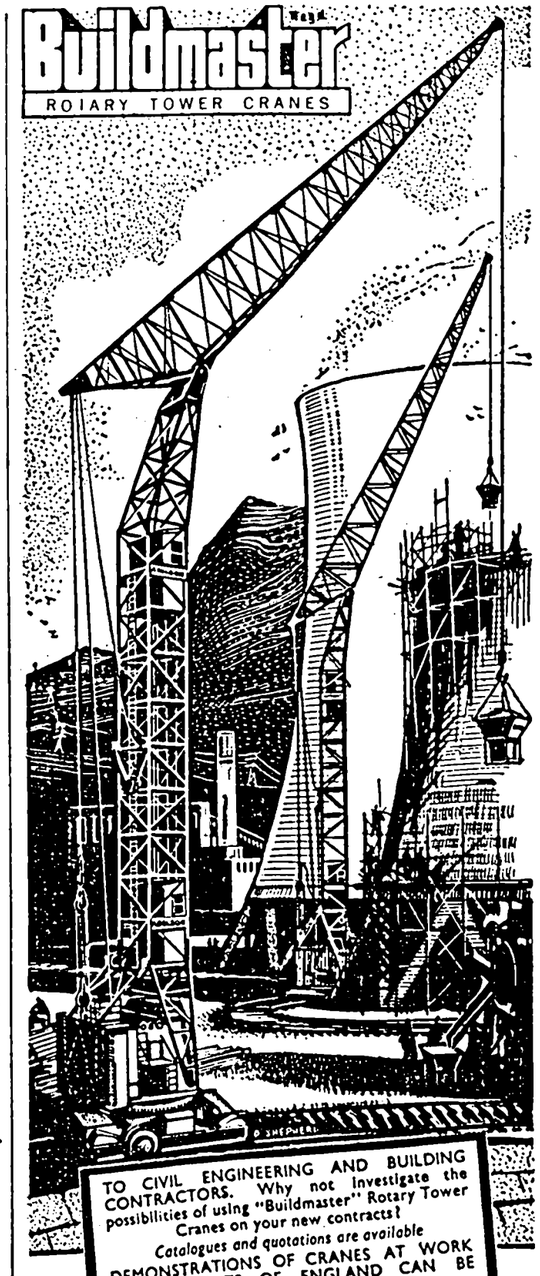
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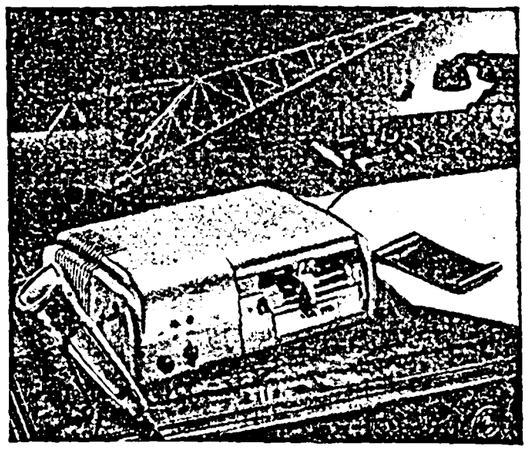


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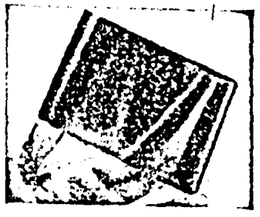
The Right Honourable Richard Stokes, M.C., P.C., M.P., is also Chairman and Managing Director of the famous engineering firm of Ransomes and Rapier Ltd. and Managing Director of Cochran & Co. (Annan) Ltd. On his desk you will see signs of the busy life he leads : a scale model of his firm's new Walking Dragline, and his Dictaphone Time-Master dictating machine.

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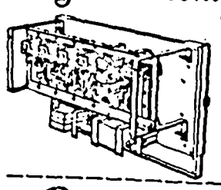
Intruders discovered—pressing button sounds alarm.

Cable cut—Alarm automatically sounded.



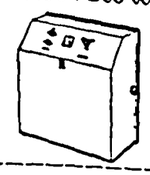
Watchman put out of action—Alarm sounds if patrol is not completed.

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FOR automatically determining the time at which each patrol is to be commenced. These times are unknown to anyone, including the Watchman himself, until indicated by the Patrol Recorder.

Patrol Recorder

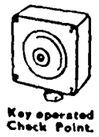


FOR indicating to the Watchman when to start each patrol, recording each properly completed patrol and warning if patrols not so completed.

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H-F754D

of new orders is not to fall to a trickle. Foreign yards are doing so, and quoting cheaper prices: as Sir Frederick Rebbeck of Harland and Wolff said this week, for the British price of a large passenger vessel a Continental yard could often build another smaller ship as well. Yet the British shipbuilders still have a constant fear of further increases in the price of steel, coal, transport and wages. Shipbuilding prices did not begin to level out as early as the prices of other capital equipment, and they have risen this year by about 2 per cent. The industry can now, it is true, obtain its steel plate more readily; but the plate also costs more than it did, though it still compares well with the prices foreign builders have to pay. Moreover, the industry is faced with the demand for a new wages structure based on a higher basic wage all round. But the time may be close at hand when the competitive state of the international market may compel the builders to shoulder more of the risk of losses on contracts than they have been inclined to accept in recent years.

Foreign Exchange for Emigrants

THE movement towards the convertibility of sterling has this week been carried another step forward—and this time by a move that favours the resident, whereas most of the previous moves have favoured the foreign holders or users of sterling. A general relaxation took effect on Tuesday last in the restrictions on transfers of funds by emigrants from the United Kingdom to their new country of permanent residence. Emigrants from the United Kingdom to countries outside the scheduled territories are now regarded as residents of their new adopted country as soon as they have left the United Kingdom, instead of at the end of four years. The main effect of this is that these emigrants can now convert the whole of their sterling income into the currency of the country in which they reside and are no longer restricted in such transfers to the exiguous amounts of the travel allowance. The other freedom that flows from the immediate redesignation of their status in the eyes of the Control is that they can transfer their sterling securities and blocked sterling to other non-residents, and can, therefore, export forthwith the whole of their capital through the market for "security" sterling at a cost that is now no greater than 1½ per cent discount on the official rate of exchange. Perhaps the most remarkable facet of the Treasury notice announcing these changes is the attention that is officially drawn to these facilities for exporting capital through the well-known but quite unofficial market in security sterling. These changes will relieve the Bank of England and the authorised banks of a great deal of administrative labour.

The other main concession to emigrants refers to the so-called "settling-in" allowances. Until last Tuesday any emigrant to a non-sterling country other than OEEC countries was allowed a total settling-in allowance of only £1,000, plus £250 for each dependant up to a maximum of £2,000 for each family unit. For emigrants to OEEC countries the maximum allowance per family unit was £5,000. These settling-in allowances could be withdrawn over the period of four years before the emigrant acquired non-resident status. Now the settling-in allowance has been increased to £5,000 for all countries outside the dollar area, and it can be withdrawn in full as soon as the emigrants have left the United Kingdom instead of in instalments over four years.

The foreign exchange cost of these various concessions—it arises principally from the freeing of income transfers—is estimated at about £1,000,000 a year, and will be incurred mainly in dollars. This estimate ignores the additional cost of emigration allowances for people who would not have emigrated but for these changes, but it includes the additional transfers that are now likely to be sought by persons who have emigrated within the past four years (and so have not previously acquired non-resident status) and have not yet drawn the whole of their settling-in allowances. The amount involved is not large, but the principle at stake in these relaxations is sufficiently important to make them rank among the major steps so far taken in the direction of a genuine convertibility of sterling.

Credit Trend in August

AT first glance the latest figures from the clearing banks suggest that the trend of credit expansion may be steepening. In the four weeks to August 18th net bank deposits rose by nearly £35½ million, compared with an increase of £27½ million in the corresponding (five-week) period last year and £23½ million two years ago (when the return also related to five weeks). The comparison with both these earlier years is, however, distorted by the effects of the heavy repayments of bank advances that were then being made out of the proceeds of issues by the BEA and the Gas Council. This year's BEA loan was actually floated on the banks' August make-up date, so that the consequential repayments of bank advances came too late to affect the banks' figures. Their total advances rose during the four weeks by £5½ million, whereas in the two previous years they dropped by £53½ million and £68 million respectively—or by appreciably more than the probable amount of the special repayments. Despite the absence of such repayments this year, the private sector of the economy

LONDON CLEARING BANKS

	August 18, 1954		Change on Month	Change on Year
	£ million		£ million	£ million
Deposits	6,518·8		+ 52·7	+278·8
"Net" deposits*	6,279·4		+ 35·4	+238·2
	£ million	%†		
Liquid assets	*2,180·6*	*33·5*	*+ 33·9*	*−116·9*
Cash	533·5	8·2	− 0·3	+ 22·8
Call money	437·8	6·7	+ 9·9	− 18·3
Treasury bills	1,126·8	17·3	+ 35·7	−148·7
Other bills	82·6	1·3	− 11·4	+ 27·3
Investments plus advances	*4,177·0*	*64·1*	*+ 2·9*	*+360·9*
Investments	2,348·0	36·0	− 2·6	+208·3
Advances	1,829·0	28·1	+ 5·5	+152·6

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

slightly reduced its net requirements for bank credit during the four weeks—principally because of a rather sharp reduction, by £11½ million, in the banks' portfolios of commercial bills.

In other words, the month's credit expansion was wholly attributable to the demands made on the banks by the central government—borrowings that are principally reflected in an increase in the banks' holding of Treasury bills by nearly £35 million and in their call money by nearly £10 million. Even so, the Government's intake of bank credit during the four weeks is hardly more than half as large as in the five-week period last year. Most of this difference can be accounted for by visible changes in the Government's domestic finances. During the periods most nearly comparable to that covered by the banking figures the Exchequer swung from an "overall" deficit of £50 million last year to a small cash surplus this year. Net receipts from Tax Reserve Certificates and small savings were somewhat larger but, on the other hand, owing principally to the difference in the length of the two periods, the net decline in the note circulation was much bigger this year than last. Because of the large seasonal fluctuations in the note circulation from week to week and even from day to day at this period, the lack of alignment between the banking and Exchequer figures is liable to produce a more serious distortion than usual. On this occasion, it would, therefore, be unwise to try to draw conclusions about the extent—or even the direction—of "departmental" operations in the gilt-edged market.

Tidying up in Steel

THE Iron and Steel Holding and Realisation Agency and its City advisers still hope to be able to make at least two public offers of nationalised steel companies between this month and Christmas. High in the list for resale to the public are Whitehead Iron and Steel Company, John Summers and Sons, and Colvilles. In preparation for the resale of Colvilles to the public the Agency has transferred to that company two small companies whose previous owners did not wish to buy them back, so that when Colvilles ordinary shares are offered to the public Dixon's Ironworks and the Etna Iron and Steel company will also be denationalised.

Dixon's, with an issued capital of £318,666 in 100,000 5 per cent cumulative preference shares of £1 each and 218,666 £1 Ordinary shares was hived off from William Dixon whose collieries were also nationalised. The company makes about 150,000 tons of pig iron a year and its coke ovens at Govan supply part of Glasgow's gas. The company has a poor record. Net losses of over £200,000 have been shown in each of the last two financial years. The company was nationalised for £250,538 in government stock. Etna Iron and Steel Company rolls light bars and sections at Motherwell; the company breaks even with a small profit and was nationalised for £333,333 in Government stock. The nominal prices at which these two units have been transferred to Colvilles has not been disclosed. It is clear that they make a comparatively small addition to the total of that group's worth and that the Agency would have found it difficult to sell them in any other way.

Anglo-Japanese Trade Disappoints

THE course of Anglo-Japanese trade and payments is to be reviewed in discussions between officials of the two countries that are to open in London next week. This mid-year review was anticipated when the Anglo-Japanese agreement for 1954 was negotiated, but it was to occur only if one or other of the parties called for it. The initiative has in fact been taken by Japan, because the Japanese are seriously disappointed at the way in which the arrangement has worked. In one respect there has been an improvement since the beginning of the year; payments between Japan and the sterling area are now in approximate balance, whereas a few months ago they were still running strongly against Japan. This equilibrium has been achieved, however, at a level of trade that is considerably lower than was envisaged when the 1954 agreement was negotiated. The agreement assumed that the two-way flow of trade between Japan and the sterling area would total about £400 million a year; actually, it has recently been running at about £250 million a year. The major reason for this disappointing performance is the comparatively high price of Japanese exports.

The Japanese contend, however, and with some force, that the disappointing level of their exports to sterling countries is due not so much to their inability to compete in price and quality as to their inability to compete at all—because since in many markets, including the United Kingdom, the Colonies and the Dominions, they are shackled by quotas and other forms of quantitative restrictions against which no competitive virtues will avail. Their resultant shortage of sterling, they argue, prevents them from buying from sterling countries on anything like the scale that was contemplated when the 1954 agreement was negotiated. The Japanese representatives will, therefore, try to persuade the British authorities to concede a further relaxation of British and Colonial import restrictions on Japanese goods. They will also endeavour to secure from London a promise to try to persuade the Dominions—and Australia in particular—to relax their restrictions. In addition, it will be surprising if these London talks, although conducted only at the "official" level, do not include some reference to the Japanese application for full membership of Gatt. This is an issue that will loom large at the forthcoming meeting of the contracting parties in Geneva, where the opposition to Japan's full accession is still likely to be spearheaded by the United Kingdom—and this attitude may be relevant to the problem of the present disappointing level of trade between Japan and the sterling countries.

Harpoon at a Venture

FOR the first time since before the war the whaling expeditions are preparing to set out for the Antarctic without a British Government department waving them off with a firm bid for part of their catch. Yet they are going in greater strength than last year. Nineteen expeditions—not all of them interested in the British market—will be setting out, compared with seventeen last year. The Pana-

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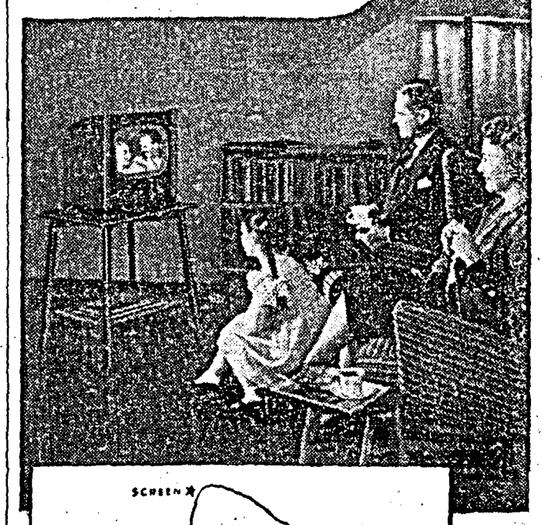
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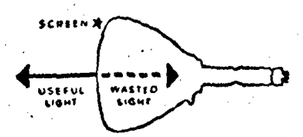
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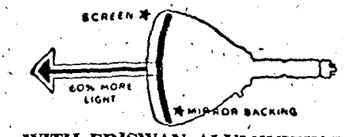
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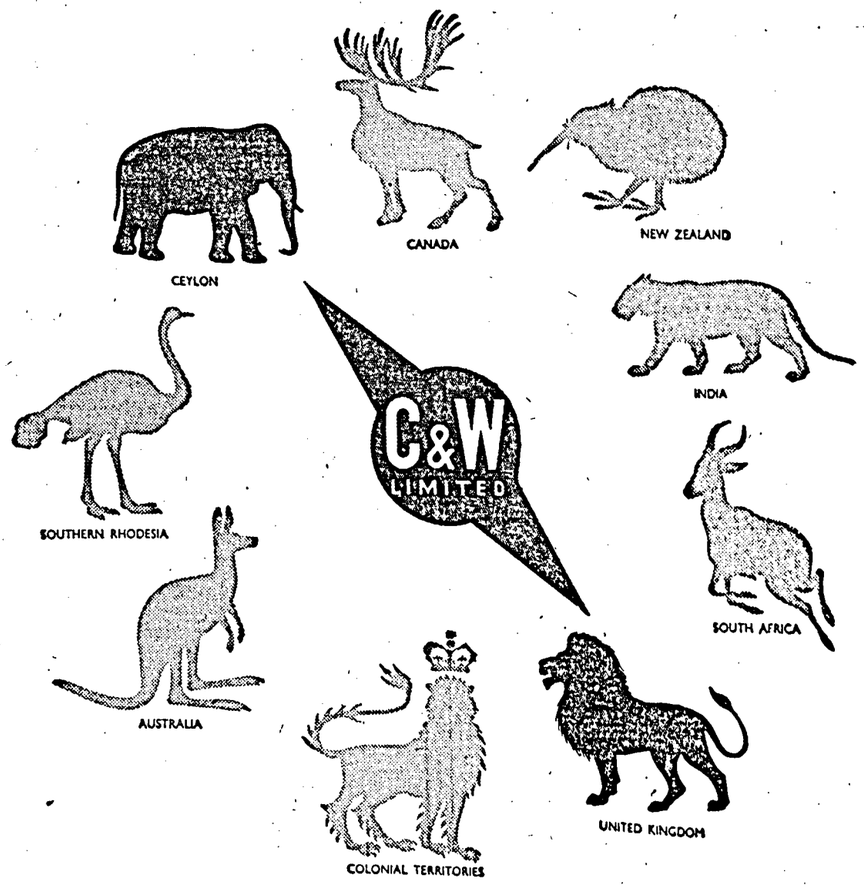


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The Elephant consults the Lion

'Between you and me,' says the Elephant to the Lion, 'there are 150,000 miles of submarine cable.'

'And between you and me,' replies the Lion, 'there are more than 200,000 miles of wireless circuits. So if I can't get in touch with you one way, I can always find you in another.'

These are round figures—or, to be more specific, round-the-world figures. On the map, the miles between the Lion of the United Kingdom and the Elephant of Ceylon, are a matter of four figures only. But the miles that link them in the chain of Commonwealth communications are many times greater.

In the United Kingdom the Post Office handles messages to and from Ceylon. The Post Office in Ceylon sends and receives messages there. Cable & Wireless Ltd. owns the cables under the sea which link the two. Indeed, it owns and maintains the whole 150,000 mile Commonwealth cable system. The Company, also, owns and operates wireless stations in the Colonial territories which relay messages between the eight senior countries of the Commonwealth, and provides a network of 114 telegraph circuits.

The headquarters of Cable & Wireless Ltd. are in London. Its day-to-day business is carried out between the eight sovereign nations of the Commonwealth; in the Colonial territories and in foreign countries in which concessions are held.

How these services are carried out is explained in a 40-page illustrated booklet "World Wide Communication", which gives many interesting details about the Company's equipment, operations and administration. A copy will be sent to you without charge if you will write, mentioning this paper, to:—The Public Relations Officer, Cable & Wireless Ltd., Electra House, Victoria Embankment, London, W.C.2.

CABLE & WIRELESS LIMITED

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

manian "Olympic Challenger," property of Mr Onassis, which did not go out last season yet will go this season, and there will be three Japanese expeditions compared with two last year. The others again are nine Norwegian expeditions, three British (two by Salvesen and Co. and one by the United-Hector Whaling group), one South African (Union Whaling), one Dutch and one Russian.

A year ago much of the British whale catch was sold to the Ministry of Food at £67 10s. a ton before the expeditions started. It proved about the lowest price of the season; up to £80 a ton was paid for smaller parcels later. This year, with the Ministry of Food out of the margarine business, whaling companies will have to sell direct to the manufacturers. The Unilever group is much the largest, but by no means the sole prospective buyer. None of the British expeditions has yet reported a forward contract to cover any part of its expected catch. But it is still possible that one or more of them may still make a limited forward sale.

This year private enterprise is taking more risks than it normally does even in this risky business, for in an idle market no one can say with assurance what the present price of whale oil is. It seems at least certain that any deal made at present ought to be priced somewhere between last year's bulk contract price of £67 10s. and last year's top price of £80 a ton. Palm oil, which is in some ways competitive, has been falling; it now stands at £75 a ton cif compared with £80 a month ago, and whale oil is normally £3 to £5 a ton cheaper than palm oil. Prices seem unlikely to rise much from that range while the United States sits over the edible oil market with its great surplus of cotton seed oil, but they can fall.

Barclays DCO Tidies Its Capital

BARCLAYS Bank DCO—this is now to become the official form of the bank's title—is following in the steps of its elder sister in deciding to simplify its capital structure. When the bank was formed in 1925, it was considered prudent for Barclays Bank to provide it with an additional reserve in the shape of uncalled capital. Accordingly, Barclays Bank subscribed for 500,000 "B" shares of £5 each on which it paid up only £2 a share; and, in consideration of Barclays assumption of this uncalled liability, the "B" shares were given voting control of the new bank. Now the need for any such supplementary reserve has long since passed, and it is proposed to merge the "B" shares with the £8,276,875 of £1 fully paid "A" shares; but Barclays Bank will continue to have voting control because it has also a considerable holding of the existing "A" stock.

This rearrangement is to be brought about by the payment by Barclays Bank of the £1,500,000 of uncalled liability on the "B" shares and by a further payment of £1,875,000 representing the difference between the nominal value and the market value of the £1,500,000 of "A" stock into which the "B" stock newly acquired by Barclays Bank will in effect be exchanged. Altogether, therefore, Barclays DCO will be receiving from Barclays Bank £3,375,000. These new resources will enable it to achieve, in its turn, a notable simplification of the capital structure of its subsidiary company, Barclays Overseas Development Corporation. At present, half the capital resources of the Development company are in the form of £3 million of 2 per cent unsecured notes held by Barclays Bank. Barclays DCO will now increase its own investment in the Development Corporation by £3 million, thus permitting a retirement of the notes. In terms of cash, the net effect of the operation is relatively small. It represents simply a transfer of £375,000 from Barclays Bank to Barclays DCO. But the tidying up will certainly be advantageous—especially, no doubt, for the Development company, which should be put in a position to look to outside sources for any further capital it may need to finance its expanding business. The new DCO capital will not rank for dividend for the year ending September 30th, and the chairman's circular to stockholders expresses the cautious opinion that it "will not adversely affect" the rate of dividend on the "A" stock.

The Port and the Power Station

"BLYTH A," the first section of the new power station that the British Electricity Authority proposes to build at Blyth, near the mouth of the River Lyne in Northumberland, is now planned to contain four generating sets of 120,000 kW installed capacity each; and the increase in fuel capacity that is mentioned for the station when finally completed suggests that its eventual capacity may rank among Britain's largest stations. This first section which BEA has included in its programme up to 1959, will at the outset take about a million tons a year, and the consumption of the completed station is put at 3 million tons a year.

Such an individual demand for coal can be a very significant factor in the whole marketing of a division's coal output, and this seems to have been responsible for the rather odd, sad comment by local National Coal Board officials that this would further curtail the amount of coal they could ship through the port of Blyth, which was already "crying out for more coal to ship." At the nearby Lynemouth Colliery, it may be noted, the complete reorganisation now in hand has included the installation of one of the largest coal washeries in Britain, which can handle about 1½ million tons a year. Had this power station originally been counted as the main market for the colliery, such a washery would probably never have been put in; coal for a power station needs little preparation before delivery. In fact, however, Coal Board headquarters in London are undismayed by this shift in their local market, of which they have had considerable notice; Lynemouth coal will continue to be shipped—mainly coastwise to the south of England—to customers who want prepared coal, while the untreated smalls for "Blyth A" will be supplied from other collieries in the division. Even this first section of the station, of course, has yet to receive the consent of the Minister of Fuel and Power; at the present rate of construction of big power stations, "Blyth A" will not be coming into the Northumberland and Durham coal market for several years.

SHORTER NOTES

Details of the contract between Vickers-Armstrong and Capital Airlines for the sale of 40 Viscounts have now been published. Capital Airlines will purchase the aircraft at the standard price on deferred terms, with payments spread over five years from the date of delivery. Interest will be paid at the rate of 1¼ per cent over Bank rate; as security Vickers-Armstrong will have a mortgage on the aircraft until the final payment is made. In addition from a specified (but not yet published) date Vickers-Armstrong will be given, subject to certain conditions, an additional security over the existing Capital Airlines fleet. Under its arrangements with Air Finance Vickers-Armstrong will receive payment in full from that company on delivery of each aircraft and repayment to Air Finance will be made as instalments are received from Capital Airlines.

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Following the sharp rise in jute prices in Pakistan the Jute control in Britain which supplies part of the Dundee industry's requirements from its accumulated stocks has raised its selling prices. The increase, which varies according to grade, averages about £8 10s. per ton and is intended to bring prices into line with world prices. The control's selling prices of imported jute goods of hessian type have been correspondingly increased. The new prices took effect on August 31.

★

The British Government announces the abandonment of the home flax scheme as from the harvesting of the 1955 crop. The scheme, which was started during the war to meet the needs of the industry in Northern Ireland for seed at a time when most of the normal sources of supply were over-run by the enemy, has latterly been costing about £210,000 a year. Between 2,000 and 3,000 tons of seed and about 2,000 tons of flax have recently been produced; about 1,000 people have been employed in the ten mills; five of these will close after this year's crop and the last five will continue operating into the autumn of 1956. It is understood that the Northern Ireland Government has been consulted.

Company Notes

ODEON THEATRES. The extraordinary answer that the stock market gave to the payment of an ordinary dividend of 15 per cent, less tax, by Odeon Theatres after four dividend-less years was to mark the 5s. shares down by 4s. 3d. to 20s. The "bulls" had over-reached themselves, in looking for tax free dividends of 10 per cent, 15 per cent or even more. Having over-shot one target they failed to range on another, for the announcement by Gaumont-British of an increase in its ordinary dividend from 7½ to 12½ per cent, less tax, for the year ended June 26th, was followed by a rise in the price of the 10s. shares of 3d. to 11s. 9d.

One reason for this curious behaviour is that while Gaumont-British has reported an increase in net earnings Odeon Theatres has reported a slight decline for the same period. Odeon's net profits in the year to June 26th fell from £1,190,532 to £1,031,080; the explanation is that the increases in taxation (from £2,612,257 to £3,259,474), in depreciation and audit fees (from £1,486,867 to £1,634,570), and in payments to outside shareholders (from £936,121 to £1,233,575) have more than absorbed the rise in trading profits from £6,837,496 to £7,704,084. The increases in tax and payments to minority interests are a direct reflection of higher profits in the accounts of subsidiaries. The Gaumont-British statement, on the other hand, shows that while trading profits have risen from £3,124,347 to £3,627,052 the charges for depreciation and taxation show little change; hence net profits have jumped from £361,065 to £662,027.

The other reason is simply that some investors (including, no doubt, some short-term speculators) have been illogical. They have seized upon the bull points: continuing retrenchment in film production (reflected in the reduction in bank overdrafts by a further £637,199 and in loan capital by £622,690) and better attendances in the bigger cinemas during a wet summer. But they have forgotten that prudence has still to be the motto of the cinema industry. Television which will soon offer a choice of programmes and which may reach a bigger market now that the hire purchase restrictions have been removed remains a threat that the cinema industry cannot yet measure. And if audiences are to be attracted to the cinemas by the novelty of the wider screen costly alterations will be needed. Mr Rank and Mr Davis must have been fully conscious of the prospective need for money when they decided to tuck away £1 million in the general reserves of Odeon Theatres (while paying out only £78,127 to ordinary shareholders and £90,750 to preference shareholders). They must also remember those days not so very long ago when they owed their bankers £16 million.

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BEECHAM GROUP. The trading profits of the Beecham Group rose sharply, carrying ordinary dividends up with them, in spite of a decline in the value of sales. Total turnover in the year to March 31st fell from £25.1 million to £23.5 million. The whole of this decline is more than accounted for by the fall in the income (from £5.9 million to £3.1 million) earned from sales by the wholesale grocery companies. For some time past the Beecham group has been pulling out of the wholesale grocery trade and redeploying the released resources in its major and presumably more profitable field of activity, proprietary drugs and toilet preparations. Since the end of the financial year it has severed its last connection with wholesale grocery by disposing of its interest in the one remaining subsidiary in that trade. The policy seems to have had some success for the rise in trading profits in spite of the decline in total sales can be attributed directly to the decline in the cost of "raw materials, supplies and services" from £15.5 million to £12.8 million.

	Years to Mar. 31, 1953	1954
Consolidated earnings :—	£	£
Proprietary sales	19,193,361	20,410,458
Grocery sales	5,958,735	3,100,024
Total sales	25,152,096	23,510,482
Trading profit	2,917,898	3,604,596
Taxation	1,563,492	1,873,061
Net profit	*766,762*	*1,061,211*
Deferred ordinary dividends	390,350	508,750
Deferred ordinary dividend (per cent)	20*	25*
Retained by subsidiaries	225,185	390,281
Retained by parent company	10,790	15,055
Cons. balance sheet :—		
Fixed assets, *less* depreciation	4,628,131	4,934,934
Intangible assets	11,044,303	10,916,919
Net current assets	4,853,590	4,909,378
Stocks	4,401,442	3,684,916
Cash	1,229,798	2,330,156
Bank overdrafts	676,233	653,900
Reserves	9,619,201	10,026,491
Ordinary capital	1,850,000	1,850,000

2s. 6d. deferred ordinary share at 21s. 10½d. yields £5 14s. per cent.

* Equivalent rate on ordinary capital of £3,700,000 after 100 per cent free scrip issue.

At home the total sales of the group's proprietary products rose from £10.9 million to £12.2 million. On the surface it appears that total export and overseas sales by the group have remained unchanged at £8¼ million; but sale figures for both Brazil and Mexico have been expressed in depreciated exchange rates and this has had the effect of reducing their sterling value by about £600,000.

At the same time as the Beecham Group has been severing its connections with the grocery trade (and building up its interests in Coca-Cola, which will not make any significant contribution to profits for some time), it has been simplifying its structure. A number of subsidiaries have been placed in voluntary liquidation—a reflection of the deliberate policy of concentrating business in each major overseas market in the hands of one operating company. Minority preference shareholding interests of a nominal value of £922,000 have been eliminated and the cost of £1,095,000 has been met from cash resources. The next accounts will show the savings in dividends and profits tax which should follow; in a full year they will amount to about £91,000. The concentration of the business into the hands of a smaller number of companies and in the group's most successful field of endeavour has already been interpreted as meaning greater profitability, leading on to the further suggestion that the payment of an interim dividend of 10 per cent on the new capital of £3,700,000 foreshadows a full year's dividend of 30 per cent, compared with the equivalent rate of 25 per cent in 1953-54.

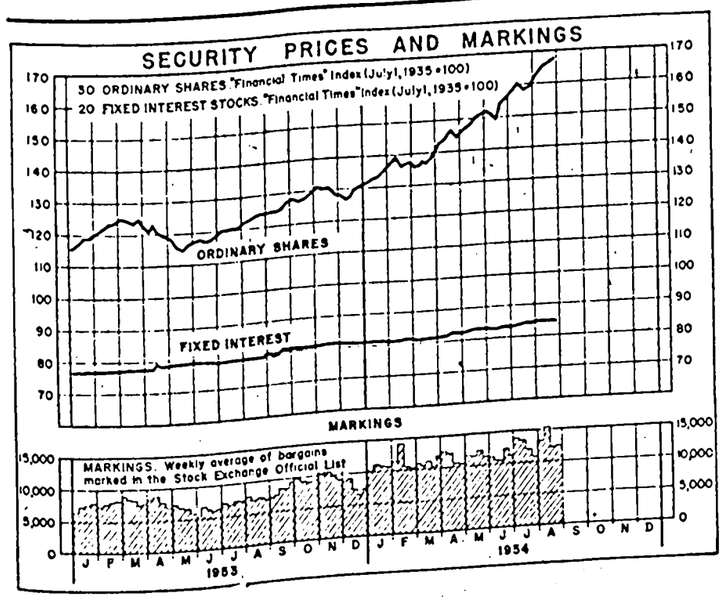
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A. C. COSSOR. As the directors predicted when 1,600,000 5s. ordinary shares were issued at 6s. each last October, A. C. Cossor, the radio and television company, is maintaining a dividend rate of 10 per cent on the enlarged capital of £1 million. The new issue allowed the directors to pay bigger dividends on the equity by reducing interest charges; the proceeds of the issue of £454,525 were mainly responsible for the reduction in bank overdrafts from £793,433 to £217,236. Hence, in the year to March 31st, "bank and other interest" charges went down from £50,734 to £29,881.

The new issue gave the directors a freer hand at the time when the group's working capital needs were rising; stocks and work in progress, for instance, have risen from £2,504,496 to £2,803,216. This increase, whether it was fortuitous or deliberately planned, came at the right time, for it preceded the improvement in sales which has taken place since the close of the financial year. In that year, turnover rose only slightly — from £7,250,000 to £7,340,000—but profit margins were expanding and trading profits went up from £464,917 to £527,419. Along with the other manufacturers, Cossor benefited from the heavy "out of season" sales of television sets induced by the Coronation; towards the end of the year, however, television sales began to flatten out. Sales of radio sets, on the other hand, were "unusually low" at first but later took a definite turn for the better. The current year of trading began with some slackness in the sale of television sets but demand has now revived following the removal of the hire purchase restrictions. The chairman, Lord Burghley, says that the directors now "look forward to a better year than at one time seemed likely."

	Years to Mar. 31, 1953	1954
Consolidated earnings :—	£	£
Trading profit	464,917	527,419
Total income	469,406	532,039
Depreciation	67,433	65,129
Taxation	191,307	213,517
Net profit	*105,293*	*162,013*
Ordinary dividend	33,000	55,000
Ordinary dividend (per cent)	10	10
Retained by subsidiaries	15,876	19,753
Added to carry forward	22,292	44,760
Cons. balance sheet :—		
Fixed assets, *less* depreciation	681,239	698,269
Net current assets	1,614,323	2,141,964
Stocks	2,504,496	2,803,216
Cash	145,629	105,361
Bank overdrafts	793,433	217,236
Reserves	793,380	913,178
Ordinary capital	600,000	1,000,000

5s. ordinary share at 10s. yields £5 per cent.



LONDON STOCK EXCHANGE

Next Account begins: September 8th
Next Contango Day: September 8th
Next Settlement Day: September 14th

HAVING jumped by 1.1 points on Monday to a new peak of 171.9, the *Financial Times* ordinary share index had fallen back to 171.1 by the close on Wednesday. The rejection of the EDC treaty by the French checked the advance in prices. Government securities, on the other hand, were a little dull at first in the face of small routine selling orders but then turned firmer on Wednesday. In the foreign market, German and Japanese issues slipped back until Wednesday when a modest rally was staged.

Store shares led the fresh advance in prices in the industrial market on Monday. Radio shares also continued to improve in response to the reports of large sales; tobacco shares were active and "Bats" gained 1s. 10½d. to 45s. 1½d. The new Vickers shares opened at 13s. 6d. and then touched 14s. premium, but later in the week the old shares came down to 39s. 6d. and the new shares to 13s. 1½d. premium. Later in the week there were falls of a few pence in most of the leading industrial shares but building material and shipping shares resisted the trend. So, too, did brewery shares after the announcement from Watney that the dividend had been increased from 17 to 20 per cent. Store shares also continued to go ahead following the lead of Debenhams (which spurted 3s. to 48s. 6d. on Wednesday) and "Gussies." The feature in the oil market was the drop in Anglo-Iranian to 15½ on reports from New York on the arrangements for the compensation payments to the company from the other members of the consortium (which are reported to include a 15 per cent cash payment to Anglo-Iranian in three equal instalments).

OFS issues continued to set the pace in the Kaffir market where prices advanced quite rapidly. President Brand, Free State Geduld and Freddies Consolidated were in the van of the advance and later on they were joined by the finance house, Anglo-American; that company's shares had been pushed up to 8¾ by the close on Wednesday.

FINANCIAL TIMES INDICES

1954	Security Indices Ord.*	Fixed Int.†	Yields 2½% Cons.	Ord.
			%	%
Aug. 25	167·3	116·42	3·65	4·73
„ 26	169·4	116·49	3·64	4·67
„ 27	170·8	116·51	3·64	4·64
„ 30	171·9	116·50	3·64	4·61
„ 31	171·6	116·46	3·64	4·62
Sept. 1	171·1	116·45	3·66	4·66
				Total bargains
1954, High	171·9	116·68	1954	
	(Aug. 30)	(Aug. 11)	Aug. 25	11,908
„ Low	131·1	111·78	„ 26	12,564
	(Jan. 1)	(Jan. 5)	„ 27	12,723
1953, High	131·5	112·55	„ 30	16,626
	(Nov. 4)	(Nov. 27)	„ 31	16,149
„ Low	113·9	105·68	Sept. 1	13,565
	(May 20)	(Jan. 5)		

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Sept. 1 High	Prices, 1954 Jan. 1 to Sept. 1 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Aug. 25, 1954	Price, Sept. 1, 1954	Net Yield, Sept. 1 1954 § £ s. d.	Gross Yield, Sept. 1, 1954 £ s. d.
100⅛	99⅞	Exchequer 2½% 1955	100⅛	100⅛	0 11 1	1 13 5
105 4/32	101⅛	Exchequer 3% 1960	104⅞*	104⅞*	0 14 11	2 1 2
104 7/8	99 13/16	Exchequer 3% '62-63	104⅜	104⅜	1 3 4	2 10 6
100 3/8	99⅜	Serial Funding 1¾% 1954	100/0/4	100/0/4½	...	1 12 3
100 3/8	99⅞	S. Fdg. 1¾% 1954 Ass. Exc.	100 1/8	100 1/8	1 7 10	2 10 9
101 3/4	99 4/32	Serial Funding 2½% 1957	101 3/32	101 1/8	0 13 8	1 15 8
101⅜	100 16/32	Serial Funding 3% 1955	101 3/32	101 1/32	0 1 5	1 14 10
101 ⅛	100	War Bonds 2½% '54-56	100 3/32	100 1/32	0 17 5	2 0 4
101 13/32	100 1/8	Funding 2½% '52-57	100 4/32	100 1/32	1 4 4	2 11 0
102⅛	101¼	War Loan 3% '55-59	102⅛	102⅛	1 6 2	2 15 1
100⅜	95 13/16	Savings Bonds 3% '55-65	99⅛	99⅛	1 14 2	3 1 5
101⅜	97⅜	Funding 2½% '56-61	101 1/32	101 1/32	1 5 0	2 8 10
98⅛	92 7/8	Funding 3% '59-69	97 16/32	97 16/32	1 17 5	3 5 10
98⅛	93 16/32	Funding 3% '66-68	98⅛	98⅛	1 16 2	3 3 8
97 16/32	97⅛	Funding 3½% 1999-2004	97⅞	97 16/32	2 0 3	3 12 6
105 3/8	100 16/32	Funding 4% '60-90	104⅜	104 16/32	1 10 4	3 7 11
96⅜	90⅜	Savings Bonds 3% '60-70	95⅜*	95 16/32	1 19 2	3 6 10
95⅜	90⅜	Savings Bonds 2½% '64-67	95⅛	95 1/32	1 16 11	3 0 10
105⅜	101 3/8	Victory 4% '20-76	103⅜*	103 16/32	1 16 9	3 11 9
95⅜	87⅜	Savings Bonds 3% '65-75	94⅛	94 16/32	1 19 2	3 7 2
98⅛	93⅛	Consols 4% aft. Feb. '57	97⅞	98	2 5 0	4 1 11
93	84⅛	Conv. 3½% aft. April '61	90 3/8*	90⅜*	2 2 6	3 17 3
102 7/8	99 1/8	Conv. 3½% 1969	101⅜*	101⅛	1 16 2	3 7 5
100⅛	99 1/8	Conv. 2% 1958-59	100⅛	100 2/32	1 0 1	1 18 7
69 1/8	63 3/8	Treas. 2½% aft. April '75	67 16/32*	67 16/32*	2 0 5	3 13 5
82⅛	74⅜	Treas. 3% aft. April '66	81⅛	80⅛*	2 1 1	3 14 8
101 4/8	92 16/32	Treas. 3½% '77-80	100⅛	100⅛	1 18 8	3 10 7
100 4/8	92⅛	Treas. 3½% '79-81	100	100	1 18 7	3 10 2
91⅛	83	Redemption 3% '86-96	89⅝*	89⅝*	2 0 2	3 9 1
92	84 4/8	War Ln 3½% aft. Dec. '52	90 16/32	90⅛	2 2 9	3 18 1
69⅛	63⅜	Consols 2½%	68⅜	68⅛*	2 0 3	3 13 0
96⅜	88⅞	Br. Elec. 3% '68-73	94⅜*	94 16/32*	1 19 5	3 7 1
95⅞	87⅛	Br. Elec. 3% '74-77	94⅛*	94⅛*	1 19 0	3 6 11
111⅛	103⅜	Br. Elec. 4½% '74-79	108⅜*	108⅞*	1 16 0	3 12 2
101⅛	93⅛	Br. Elec. 3½% '76-79	101⅛	101⅛	1 17 11	3 9 11
100 4/8	100⅛	Br. Elec. 3½% 76-79 'A'	100⅛	100 16/32	1 17 11	3 9 2
91⅛	83 4/8	Br. Trans. 3% '78-88	90⅞	90⅞	2 1 2	3 10 4
96⅞	88⅛	Br. Trans. 3% '68-73	94⅜*	94 16/32*	1 19 7	3 7 1
107⅛	100⅛	Br. Trans. 4% '72-77	106⅛	106⅛	1 16 6	3 11 10
91 7/8	84⅛	Br. Gas 3% '90-95	90⅛	90⅜	2 0 2	3 9 7
102⅛	96⅜	Br. Gas 3½% '69-71	101⅛*	101⅛*	1 16 9	3 8 0
106⅛	99⅞	Br. Gas 4% '69-72	106⅛	106 4/8	1 14 5	3 9 4

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953 High	Prices, 1953 Low	Prices, 1954 Jan. 1-Sept. 1 High	Prices, 1954 Jan. 1-Sept. 1 Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, Aug. 25, 1954	Price, Sept. 1, 1954	Yield, Sept. 1, 1954 £ s. d.
92	84⅛	97⅛	90⅛	Aust. 3½% '65-69	95½	96½	3 11 0
...	...	99⅜	97¼	Ceylon 4% '73-75	98	98	4 2 11
98 13/16	98 3/16	106 1/16	98⅛	N. Zealand 4% '76-78	104½	104½	3 14 1
73⅛	66⅛	79⅛	71⅛	L.C.C. 3% aft. 1920	79½	79⅛	3 15 6
95½	90⅜	99⅜	95	Liverpool 3% '54-64	99	99	3 2 4
81⅛	73⅜	87⅛	80⅛	M. Wtr. 'B' 3% '34/2003	85½	85⅛	3 12 8
104½	101⅛	104⅛	101⅛	Agric. Mort. 5% '59-89	102½	103⅛	4 0 6
...	...	95⅝	71⅛	German 7%	81	80	...
...	...	142	102	German 5½%	119½	119	...
139½	119	159⅛	132⅛	Japan 5% 1907	147	144½	...
176	136	186⅛	168⅛	Japan 5½% Conv. 1930	174	171	...

Prices, 1954 Jan. 1 to Sept. 1 High	Prices, 1954 Jan. 1 to Sept. 1 Low	Last Two Dividends (*a*)	(*b*)	(*c*)	ORDINARY STOCKS	Price, Aug. 25, 1954	Price, Sept. 1, 1954	Yield, Sept. 1, 1954 £ s. d.
		%		%	BANKS & DISCOUNT			
50/3	42/3	16	*c*	5	*a* Barclays £1	48/-	47/6	4 4 3*m*
65/6	58/9	14	*c*	7	*a* Lloyds 'A' £5, £1 pd.	64/-	64/-	4 7 6
84/6	74/9	8	*b*	8	*a* Midland £1, fully pd.	83/-	83/-	3 17 1
82/9	72/7½	8½	*b*	8½	*a* N. Prov. 'B' £5, £1 pd.	81/-	80/6	4 4 6
92/6	79/6	18	*c*	10	*a* Westminster £4, £1 pd.	90/-	91/6	3 18 8
128/1½	92/-	17½	*b*	7½	*a* Alexanders £2, £1 pd.	122/6	120/-	4 3 4
49/6	40/10½	5	*b*	5	*a* Nat. Disc. 'B' £1	49/-	49/-	3 1 3*v*
56/9	44/6	5	*b*	5	*a* Union Disc. £1	52/-	55/6	3 12 1
46/-	37/6	4	*b*	4	*a* Barc. (D.C. & O.) 'A' £1	44/6	44/6	3 11 11
45/7½	40/3	7	*a*	7	*b* Chart. Bk. of India £1	41/-	42/-	6 13 4
					INSURANCE			
16⅞	9½	50	*a*	85	*b* Leg. & Gen. £1, 5/- pd.	15½	15½	2 3 7
24 1/16	20½	40†5		20†2	Pearl £1, fully pd.	22½	22½	4 16 5
45½	35 13/16	105†2	*c*	112½†2	*c* Prudential 'A' £1	44½	43¾	4 13 6
					BREWERIES, ETC.			
131/9	125/-	33	*b*	10	*a* Bass £1	128/1½	131/3	6 11 0
23/3	17/4½	7½	*a*	17½	*b* Distillers 4/-	22/-*	22/6*	4 8 11
38/-	31/-	11	*b*	8	*a* Guinness 10/-	37/6	37/6	5 1 4
84/3	60/-	8	*a*	15¾	*b* Whitbread 'A' Ord. £1	78/9	78/9	5 6 8*d*

† Free of tax. Yield calculated on gross basis. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Whole year's dividend. (*d*) Yield basis 21%. (*e*) To earliest date. (*f*) Flat yield. (*g*) Yield basis 43¾%. (*h*) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 14·8%. (*i*) Yield basis 13¼% after capital bonus. (*j*) Yield basis 11⅞%. (*k*) Yield basis 8%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution. (*q*) Yield basis 22% gross. (*r*) Yield basis 32½%. (*s*) Yield basis 22·7% gross. (*t*) Also 2½%, not subject to tax, from capital profits. Yield basis 10%. (*u*) Yield basis 12%. (*v*) Yield basis 7½%. (*w*) Yield basis 20%. (*x*) Yield basis 18·18% gross. (*y*) Yield basis 11%, after capital bonus. * Ex dividend.

Prices, 1954 Jan. 1 to Sept. 1 High	Prices, 1954 Jan. 1 to Sept. 1 Low	Last Two Dividends (*a*)	(*b*)	(*c*)	ORDINARY STOCKS	Price, Aug. 25, 1954	Price, Sept. 1, 1954	Yield, Sept. 1, 1954 £ s. d.
		%		%	STEEL & ENGINEERING			
12¼	8⅜	12½	*c*	15	*c* B.S.A. £1	61/3	65/-	4 12 4
5	3	10	*b*	10	*b* Cammell Laird 5/-	10/6	10/6	7 0 11*h*
5	3	10	*b*	10	*b* Guest Keen N'fold £1	63/9	64/9	4 12 3
...	...	...		...	Stewarts & Lloyds £1	38/-	38/-	...
7½	4	4	*a*	4	*a* United Steel £1	25/3	25/-	7 4 0*o*
12½	2¼	12½	*b*	12½	*b* Vickers £1	40/-	39/6	3 15 11*u*
					TEXTILES			
4	2	11	*b*	11	*b* Bradford Dyers £1	26/9	27/-	7 8 2*m*
6	2	12	*b*	12	*b* Brit. Celanese 10/-	26/6	27/3	6 12 1
5	2	10	*b*	10	*b* Coats (J. & P.) £1	26/9	26/9	5 12 2*u*
6½	3	4½	*b*	4	*b* Courtaulds £1	31/6	31/9	5 0 9*k*
20	6	10	*a*	10	*a* Lancs. Cotton £1	24/6	27/9	5 8 1*v*
5	2	15	*b*	15	*b* Patons & Baldwins £1	31/10½	32/9	6 2 2*m*
					ELECTRICAL			
7½	4	7½	*b*	11	*b* Assoc. Elect. £1	60/-	60/7½	3 14 3*s*
2¾	(*t*) 1½	7½	*b*	8	*b* B.I.C.C. £1	47/6	48/-	4 3 4
6¾	4	4	*a*	4	*a* English Elect. £1	53/9	55/-	3 17 7
5¾	2	8½	*b*	8	*b* General Elect. £1	51/3*	52/6*	4 15 3
					MOTOR & AIRCRAFT			
3½	1	6½	*b*	6	*b* Bristol Aeroplane 10/-	22/10½	22/10½	4 7 5
6½	3	4	*a*	4	*a* British Motor 5/-	11/6	11/7½	4 10 4
7½	3	7½	*c*	7½	*c* De Havilland £1	27/3	26/-	5 15 5
7½	3	12	*a*	12	*a* Ford Motor £1	71/3	70/-	3 8 7
9	3	9	*b*	6	*a* Hawker Siddeley £1	41/9	43/9	3 8 7*o*
25	10	25	*c*	25	*c* Leyland Motors £1	97/6	97/6	5 2 7
5	2	12½	*b*	12½	*b* Rolls Royce £1	70/7½	73/9	3 3 3*j*
12	5	12	*c*	12	*c* Standard Motor 5/-	8/-	8/6	7 1 2
					SHOPS & STORES			
22½	9	5	*a*	5	*a* Boots Pure Drug 5/-	27/-	27/1½	4 2 11
15	7	7½	*b*	7½	*b* Debenhams 10/-	41/6	47/-	4 5 1*w*
15	4	45	*b*	45	*b* Gt. Universal 5/-	100/-	107/-	2 16 1
5	2	17½	*b*	17½	*b* Lyons (J.) 'A' £1	107/6	107/6	4 3 9
20	4	45	*b*	45	*b* Marks & Spen. 'A' 5/-	55/-	54/-	3 0 2*r*
40	20	20	*a*	20	*a* Woolworth 5/-	77/6	77/6	3 17 5
					OIL			
5	2	37½	*b*	37½	*b* Anglo-Iranian £1	15½	15⅜	2 15 4
2¼	1	15	*b*	15	*b* Burmah £1	92/6	93/1½	3 15 2
4	2	12	*b*	12	*b* Royal Dutch 100 fl.	£41½	£40½	3 1 11*i*
5	2	10	*b*	10	*b* Shell Reg. £1	98/1½	99/4½	4 11 4*s*
5	2	15	(*p*)	10*c*	5 *a* Trinidad Lholds 5/-	23/9	25/-	3 12 9*x*
					SHIPPING			
2¼	1	2¼	*a*	2¼	*a* Cunard £1	47/-	47/6	6 14 9
12	6	12	*c*	12	*c* Furness Withy £1	36/-*	36/-*	6 13 4
8½	3	8½	*t*	8½	*a* Brit. Amer. Tob. 10/-	42/-*	44/6*	5 2 0
3	1	3	*a*	3	*a* Canadian Pacific $25	$48	$46½	5 18 2
35	14	14	*a*	14	*a* Decca Record 4/-	42/6	43/-	4 1 4*g*
14	6	11	*c*	14	*c* Dunlop Rubber 10/-	26/3	26/6	5 5 8
9	6	9	*b*	9	*b* Imp. Chemical £1	37/-	37/6	4 0 0*w*
8	4	8	*a*	8	*a* Imp. Tobacco £1	56/6	58/6	6 16 9
$2·60	$2·35	$2·60	*c*	$2·35	*c* Inter. Nickel n.p.v.	$82½*	$82⅜*	5 1 11
9	6	9	*b*	9	*b* London Brick £1	61/3	62/6	4 9 7*n*
13	6	13	*b*	13	*b* Monsanto Chemical 5/-	25/3	25/3	3 19 2
3	2	3	*a*	3	*a* Tate & Lyle £1	82/6	80/-	4 0 0
7½	3	7½	*b*	7½	*b* Tube Investments £1	68/9	70/7½	4 4 11
5	2	5	*a*	5	*a* Turner & Newall £1	86/6	89/-	3 18 8
9	5	9	*b*	9	*b* Unilever £1	83/-	86/6	3 12 10
7½	4	7½	*b*	7½	*b* United Molasses 10/-	34/6	35/-	6 5 9*q*
10	4	10	*c*	10	*c* Cons. Tea & Lands £1	40/6	42/-	8 13 2
10	1	10	*c*	10	*c* London Asiatic Rbr. 2/-	2/-	1/11½	10 6 6
15	5	15	*b*	5	*a* United Sua Betong £1	35/-	35/-	7 12 5*t*
					MINES			
20	5	40	*b*	20	*a* Anglo-Amer. 10/-	7⅛	8⅜	3 8 7
80	68/3	120	*b*	80	*a* De Beers 5/- Bearer	115/-	123/9	8 1 8
...	56/6	...		...	Free State Geduld 5/-	117/6	123/1½	Nil
8½	54/9	10	*c*	10	*c* Randfontein £1	71/10½	69/-	2 17 11
24	4/10½	22	*c*	24	*c* London Tin 4/-	6/2½	6/2½	15 10 0
50	16⅛	175	*b*	50	*a* Rhokana £1	25⅜	26¼	8 12 3

New York Closing Prices

	Aug. 25	Sept. 1		Aug. 25	Sept. 1		Aug. 25	Sept. 1
	$	$		$	$		$	$
Balt. & Ohio	26¼	25	Am. Smelting	36¼	36	Inter. Paper	75¼	74⅜
Can. Pac.	26⅜	25⅜	Am. Viscose	35	35¼	Nat. Distill.	20⅛	19⅜
N.Y. Cent.	20⅜	19⅜	Cel. of Amer.	20⅜	19⅛	Sears Roebuck	69⅛	68⅛
Pennsyl.	16⅛	16⅛	Chrysler	61⅜	63⅛	Shell	50⅛	50⅛
Amer. Tel.	173⅛	170⅛	Gen. Elec.	43⅜	42⅜	Std. Oil of N.J.	93⅛	90⅜
Stand. Gas.	13⅜	14⅛	Gen. Motor	80⅛	78⅛	U.S. Steel	52⅛	51⅛
United Corp.	5⅛	5⅜	Goodyear	71	70⅛	Westinghouse	67⅛	65⅛
W. Union Tel.	52⅛	52⅛	Inter. Nickel	45⅜	46⅛	Woolworth	44⅜	43⅝

Statistics

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

British		Overseas	
Prices and Wages	This week	Western Europe:	
Production and Consumption	Aug. 14th	Production and Trade	This week
Manpower	Aug. 21st	British Commonwealth	Aug. 14th
External Trade	Aug. 28th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Aug. 21st
Industrial Profits	July 17th	United States	Aug. 28th
		World Trade	July 17th

Prices and Wages

	Unit	1951	1952	1953	1953 Aug. 18	1953 Aug. 25	1953 Sept. 1	1954 Aug. 10	1954 Aug. 17	1954 Aug. 24	1954 Aug. 31
		mid-June									
WORLD PRICES											
Commodity Price Indicator: (1)											
All items	1952=100	126	99	89	91	91	91	99	98	98	97
Food	"	114	100	93	99	99	98	125	120	118	117
Fibres	"	167	99	87	87	87	88	85	85	87	87
Metals	"	99	100	80	77	76	77	81	81	82	82
Other items	"	131	96	96	99	100	99	92	92	91	91
BRITISH WHOLESALE PRICES		Monthly averages			1953			1954			
		1951	1952	1953	May	June	July	April	May	June	July
Old series:											
All articles	1938=100	315·0	323·3	323·5	326·1	325·4	324·7	325·2	326·4	327·6	328·1
Food and tobacco	"	253·9	292·0	314·6	324·1	322·8	321·9	317·4	317·4	318·2	319·5
Materials used in:	June 30, 1949=100										
Non-food manufacturing		193·3	162·1	145·8	146·9	145·4	143·7	143·6	145·1	145·2	143·8
Mechanical engineering	"	134·3	149·9	145·7	143·4	143·1	144·5	147·5	149·3	150·8	150·8
Electrical machinery	"	151·9	165·4	155·2	151·2	150·8	152·8	156·7	159·0	159·9	159·8
Building and civil engineering	"	125·6	133·6	130·4	130·2	130·2	130·5	130·7	131·0	131·3	131·5
House building	"	123·0	130·6	128·7	128·8	128·5	128·5	129·8	130·3	130·4	130·7
Commodities:											
Cotton, raw(4)	"	223·2	171·9	140·6	139·4	140·0	140·9	155·6	156·1	155·4	155·7
Wool, raw	"	252·3	147·9	171·1	182·4	174·9	171·1	167·4	173·4	177·5	165·3
Rubber, No. 1 RSS, one month future	"	499·1	282·8	199·1	210·8	202·7	192·5	176·1	185·3	191·9	204·6
Softwood, imported	"	143·5	158·0	144·1	146·6	143·7	140·9	143·3	143·3	143·4	144·3
Copper, ex-warehouse (2)	"	187·5	220·7	217·6	215·2	214·5	214·5	206·1	208·2	205·0	204·4
UK RETAIL PRICES											
Interim index:	June 17, 1947=100										
All items		125	136	140	140	141	141	142	141	142	145
All items	Jan. 15, 1952=100	...	102·6	105·8	106·0	106·6	106·6	107·0	106·7	107·3	109·1
Food	"	...	105·4	111·3	112·7	113·8	113·7	112·6	112·1	113·6	118·0
All items	1938=100 (3)	202	221	228	228	229	229	230	230	231	235
Food	"	191	221	233	236	238	238	236	235	238	247
Rent and rates	"	119	122	129	130	130	130	134	134	134	134
Clothing	"	249	259	253	253	253	253	255	255	255	255
Fuel and light	"	177	197	207	203	205	205	218	213	214	214
Household durable goods	"	288	294	286	283	282	284	284	284	284	283
Drink	"	} 318	{ 255	256	256	256	257	257	257	257	257
Tobacco	"		{ 386	387	387	387	387	387	387	387	387
Purchasing power of £ (based on all consumer spending)	1938=100	48	45	44	44	43	43	43	43	43	42
UK TERMS OF TRADE (5)											
Import prices:	1953=100										
All items		117	113	100	100	99	100	98	98	99	99
Food, drink and tobacco	"	100	104	100	101	102	101	101	102	102	102
Basic materials	"	140	123	100	101	99	100	96	97	98	100
Export prices:											
All items	"	98	103	100	100	99	100	99	99	99	98
All manufactures	"	98	103	100	99	99	99	99	99	99	99
Metals	"	} 89	99	{ 100	100	101	100	95	94	95	93
Engineering products	"			100	99	99	100	99	100	99	100
Textiles (excluding clothing)	"	117	112	100	99	100	98	103	103	103	102
Terms of trade:											
Ratio of import to export prices	"	118	109	100	100	100	100	99	99	100	101
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	...	100·0	77·5	82·2	73·8	75·8	75·8	77·4	77·6	79·7
UK WAGES											
Weekly wage rates:	June 30, 1947=100										
All workers		120	130	136	135	135	136	141	142	142	142
Men	"	119	129	134	134	134	134	140	140	141	141
Women	"	123	133	140	139	139	140	145	146	146	146
Weekly earnings: (6)											
All workers	s. d.	141 1	151 11	160 1	...	...	...	...	...	...	...
Men	"	166 0	178 6	189 2	...	...	...	...	...	...	...
Women	"	90 1	96 4	102 5	...	...	...	...	...	...	...
	Oct.,										
All workers	1938=100	265	285	301	...	...	...	...	...	...	...
Men	"	241	259	274	...	...	...	...	...	...	...
Women	"	277	296	315	...	...	...	...	...	...	...

(1) From August, 1953, the index has been revised to show a more representative wheat price. (2) Figures up to July, 1953, relate to delivered prices and subsequently to ex-warehouse prices of H.C. electrolytic copper. (3) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (4) Annual figures are based on unit values and are influenced by changes in the composition of trade as well as price movements. (5) Surveys made twice a year; annual figures relate to October survey. (6) Revised series, based on Liverpool spot market prices as from July 1, 1954.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) (1948 = 100)												
1938	118	82	77	90	193	132	76	101	89	81	67	63
1952	181	114	117	131	231	171	130	147	130	135	111	133
1953	184	114	119	127	251	193	137	161	144	140	111	149
1954, January	158	115	115	134	268	224						
„ February	187	114	126	134	276	221	133	165	146	144	117	...
„ March	199	120	128	138	282	227		162	138	173	117	...
„ April	210	121	129	141	289	227	...	181	158	159	120	...
„ May	...	...	131	142	299	225	...	176	151	139	122	...
								...	152	143	122	...
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	93	174	12·5
1952	1,163	10,252	550	132·64	1,350	432·9	14·35	120·48	694	520	746	129·7
1953	1,106	10,094	573	121·52	1,334	592·6	15·28	124·75	738	543	680	124·3
1954, January	1,207	9,795	576	135·20	1,313	772·2	15·74	132·30	840	540	709	94·9
„ February	1,098	9,061	570	127·91	1,213	679·2	15·08	116·81	709	493	641	105·6
„ March	1,326	11,960	639	128·39	1,585	673·0	17·16	152·04	936	686	804	119·3
„ April	1,188	10,828	668	137·07	1,471	801·5	14·50	130·60	753	538	761	127·1
„ May	1,366	...	646	133·80	1,558	814·2	15·59	121·90	862	582	777	149·4
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	1,403	149·9	8·41	72·02	660	337	674	84·7
1953	1,099	9,414	508	117·24	1,542	282·1	9·50	77·50	717	303	637	92·4
1954, January	1,041	9,593	477	120·17	1,502	441·3	8·14	75·38	758	303	585	73·8
„ February	1,201	7,663	492	130·61	1,508	332·9	8·02	81·01	621	311	490	76·8
„ March	1,342	9,450	576	122·53	1,932	257·1	9·69	88·87	792	360	600	100·2
„ April	1,334	10,043	506	127·37	1,661	220·3	8·13	78·40	696	349	612	75·9
„ May	1,330	8,719	552	125·60	1,823	211·8	6·96	75·90	702	317	782	59·9
BALANCE												
1938	− 20	− 116	− 7	− 1·23	− 37	− 0·4	− 1·43	− 0·06	− 31	− 33	− 20	− 0·4
1952	− 263	− 39	− 67	−14·60	+ 59	−283·0	− 5·94	− 43·45	− 34	− 183	− 72	− 45·0
1953	− 7	− 680	− 65	− 4·28	+ 208	−310·5	− 5·78	− 47·25	− 21	− 240	− 43	− 31·9
1954, January	− 166	− 202	− 99	−15·03	+ 189	−330·9	− 7·60	− 56·92	− 82	− 237	− 124	− 21·1
„ February	+ 103	− 1,398	− 78	+ 2·70	+ 295	−346·3	− 7·06	− 35·80	− 83	− 182	− 151	− 28·8
„ March	+ 16	− 2,510	− 63	− 5·86	+ 347	−415·9	− 7·47	− 63·17	− 144	− 326	− 204	− 19·1
„ April	+ 146	− 785	− 162	− 9·70	+ 190	−581·2	− 6·37	− 52·20	− 57	− 189	− 143	− 51·2
„ May	− 36	...	− 94	− 8·20	+ 265	−602·4	− 8·63	− 46·00	− 160	− 265	+ 5	− 83·5
VOLUME OF EXTERNAL TRADE (1) (1938 = 100)												
IMPORTS												
1938	266	93	118	102	249	...	79	92	118	100	91	91
1952	217	121	147	129	241	...	98	158	132	128	118	220
1953	207	126	169	130	271	...	111	174	157	141	117	217
1954, February	205	117	...	137	261	...	107	...	151	123	125*	189
„ March	261	154	...	136	343	...	122	...	207	179		225
„ April	239	136	...	149	316	...	104	...	166	147		230
„ May	256	...	...	146	330	...	111	...	...	...	...	...
„ June	...	...	...	...	...	...	...	...	...	...	...	...
EXPORTS												
1938	147	110	139	125	530	...	136	125	156	123	111	107
1952	202	138	186	209	670	...	168	140	256	141	134	150
1953	270	151	208	221	783	...	188	152	292	144	142	182
1954, February	315	133	...	254	779	...	155	...	276	151	125*	182
„ March	343	164	...	238	1,014	...	188	...	360	169		230
„ April	326	177	...	250	866	...	163	...	311	176		184
„ May	...	...	...	247	966	...	138	...	...	...	...	...
„ June	...	...	...	...	...	...	...	...	...	...	...	...

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

Financial Statistics

EXCHEQUER RETURNS

For the week ended August 28th there was an "above-line" surplus (after allowing for Sinking Funds) of £15,622,000 compared with a deficit of £52,985,000 in the previous week and a surplus of £12,295,000 in the corresponding period of last year. This reduced the cumulative deficit to £108,768,000 (£183,612,000 in 1953-54). Net expenditure "below-line" absorbed £7,620,000, bringing the total cumulative deficit to £263,737,000 (£380,191,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Aug. 29 1953	April 1, 1954 to Aug. 28, 1954	Week ended Aug. 29, 1953	Week ended Aug. 28, 1954
Ord. Revenue					
Income Tax	1800,000	398,057	397,786	17,892	24,057
Sur-tax	132,000	29,100	28,000	800	700
Death Duties	164,375	69,200	77,000	2,500	5,900
Stamps	55,000	22,100	28,200	1,100	1,800
Profits Tax & EPT	172,000	81,600	69,400	4,800	3,500
Excess Profits Levy	60,000	26,450	37,900	3,900	1,800
Special Contribution and other Inland Revenue	1,000	380	580	...	...
Total Inland Rev.	2384,375	626,837	638,866	30,992	37,757
Customs	1062,500	434,707	453,333	22,409	23,306
Excise	719,000	317,978	316,960	27,465	16,130
Total Customs and Excise	1781,500	752,685	770,293	49,874	39,436
Motor Duties	77,000	12,864	14,281	...	...
P.O. (Net Receipts)	...	600	10,700	Dr2000	1,750
Broadcast Licences	21,000	4,750	5,750	850	1,050
Sundry Loans	24,000	10,540	9,130	1,491	
Miscellaneous	245,000	49,595	61,004	4,351	4,112
Total	4532,875	1457,921	1510,024	85,558	84,105
Ord. Expenditure					
Debt Interest	570,000	228,299	227,526	3,008	2,299
Payments to N. Ireland Exchequer	51,000	18,650	18,878	2,018	2,022
Other Cons. Fund	10,000	4,391	4,182	21	118
Supply Services	3855,399	1378,892	1356,023	67,966	63,814
Total	4486,399	1630,232	1608,609	73,012	68,253
Sinking Funds	36,000	11,301	12,183	250	230
"Above-line" Surplus or Deficit		183,612	108,768	12,295	15,622
"Below-line" Net Expenditure		196,579	154,969	7,764	7,620
Total Surplus or Deficit		380,191	263,737	4,531	8,002
Net Receipts from:					
Tax Reserve Certificates		89,124	164,221	4,628	2,537
Savings Certificates		9,400	4,500	500	100
Defence Bonds		−26,103	− 7,894	− 585	70

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
Aug. 29	3,350·0	1,407·6	229·3	...	4,987·0
1954					
May 29	3,320·0	1,579·8	270·6	...	5,170·4
June 5	3,340·0	1,274·1	278·9	...	4,893·1
„ 12	3,320·0	1,332·8	274·6	...	4,927·3
„ 19	3,300·0	1,372·1	296·1	...	4,968·2
„ 30	4,700·0		268·6	3·3	4,971·8
July 10	3,280·0	1,432·5	260·2	...	4,972·7
„ 17	3,260·0	1,411·6	267·2	...	5,038·8
„ 24	3,270·0	1,492·2	281·6	...	5,043·9
„ 31	3,270·0	1,485·5	263·1	...	5,018·7
Aug. 7	3,280·0	1,447·7	285·3	...	5,013·0
„ 14	3,280·0	1,451·3	272·3	...	5,003·6
„ 21	3,270·0	1,495·5	279·0	...	5,044·5
„ 28	3,260·0	1,547·0	267·3	...	5,074·3

THE MONEY MARKET

CREDIT supplies have been short this week, and on four of the six working days covered by the latest Bank return the market has needed special aid, mostly given through clearing banks. The discount market, after the two successive reductions in its application price for Treasury bills, last Friday maintained its bid at £99 11s. 11d. per cent; and, although total applications for the £260 million on offer rose by fully £24 million to their highest for five weeks, the market allotment dropped only fractionally. The average discount rate rose slightly, from £1 12s. 2.66d. to £1 12s. 3.19d. per cent offered.

The shortage of credit kept discount rates firm throughout the week, and on several days clearing banks were able to secure November maturities at ½ per cent above the "basic" rate of 1⅛ per cent.

The week's reflux of currency amounted to only £4 million, but as the reserve already stood at almost £50 million the authorities have been able to reduce the fiduciary issue by a further £25 million, thus restoring it to the basic level of £1,675 million that last obtained in early June.

In consequence of the further easing of sterling against the US dollar—the rate closed at $2.80⅞—the sterling price of gold reached a new peak of 250s. a fine ounce at Tuesday's fixing, and late on the previous day had been dealt in at 250s. 1d. On Wednesday, however, a slight improvement in sterling brought the gold price down to 249s. 10½d.

LONDON MONEY RATES

	%		%
Bank rate (from 3½%, 13/5/54)	3	**Discount rates**	
		Bank bills: 60 days	1⅛
		3 months	1⅛
Deposit rates (max)		4 months	1⅛–1⅛
Banks	1½	6 months	1⅛
Discount houses	1½		
Money—Day-to-day	1½–1⅝	Fine trade bills:	
Short periods	1½–1⅝	3 months	2⅛–3
Treas. bills 2 months	1⅛	4 months	2⅛–3⅛
3 months	1⅛	6 months	3 –4

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	Sept. 2	Aug. 25	Sept. 1
Issue Department:			
Notes in circulation	1,543·5	1,654·0	1,649·9
Notes in banking dept.	31·8	46·4	25·5
Govt. debt and securities*	1,571·8	1,696·2	1,671·2
Other securities	0·7	0·8	0·8
Gold coin and bullion	2·9	3·4	3·4
Banking Department:			
Deposits:			
Public accounts	9·6	14·6	14·7
Treasury special account	31·6	1·7	3·6
Bankers	278·7	267·2	266·7
Others	68·0	63·8	67·8
Total	387·9	347·3	352·8
Securities:			
Government	352·3	296·4	319·5
Discounts and advances	6·6	7·0	9·5
Other	13·2	13·7	14·6
Total	372·1	317·1	343·6
Banking department reserve	34·3	48·7	27·7
	%	%	%
"Proportion"	8·8	14·0	7·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,700 million to £1,675 million on September 1, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment: s.	d.	Allotted at Max. Rate* %
1953						
Aug. 28	280·0	370·2	280·0	46	8·25	77
1954						
May 28	270·0	426·8	270·0	34	3·33	49
June 4	270·0	414·3	250·0	32	11·61	58
„ 11	260·0	418·3	250·0	32	3·56	57
„ 18	260·0	400·4	250·0	31	7·57	56
„ 25	260·0	426·0	260·0	32	1·48	38
July 2	270·0	384·0	270·0	32	3·41	60
„ 9	270·0	396·2	250·0	31	3·90	65
„ 16	240·0	433·1	240·0	31	2·27	34
„ 23	250·0	423·1	230·0	31	2·52	34
„ 30	240·0	414·2	240·0	31	2·80	39
Aug. 6	240·0	397·6	240·0	31	3·09	46
„ 13	250·0	387·5	250·0	31	10·56	50
„ 20	260·0	398·2	260·0	32	2·66	50
„ 27	260·0	422·7	260·0	32	3·19	47

* On August 27th tenders for 91 day bills at £99 11s. 11d. secured about 47 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £270 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: Sept. 1	Market Rates: Spot: Aug. 26	Aug. 27	Aug. 28	Aug. 30	Aug. 31	Sept. 1
United States $	2·78–2·82	2·80½–2·80⅞	2·80½–2·80⅞	2·80⅛–2·80⅝	2·80⅜–2·80⅝	2·80⅞–2·80⅞	2·80⅞–2·80⅝
Canadian $	...	2·72⅛–2·72⅜	2·72–2·72⅜	2·71⅞–2·72	2·71⅝–2·71⅞	2·72–2·72⅛	2·72⅛–2·72⅜
French Fr.	972·65–987·35	978–979	977½–978	977–977½	978–978½	977½–977¾	977–977½
Swiss Fr.	12·15⅞–12·33⅞	12·20⅛–12·20½	12·20⅛–12·20½	12·20⅛–12·20⅜	12·20⅛–12·20⅜	12·20⅛–12·20⅜	12·20⅛–12·20⅜
Belgian Fr.	138·95–141·05	139·72½–139·77½	139·77½–139·82½	139·75–139·80	139·77½–139·82½	139·75–139·80	139·75–139·80
Dutch Gld.	10·56–10·72	10·62–10·62½	10·61½–10·62½	10·61½–10·62½	10·61½–10·62½	10·61½–10·62½	10·61½–10·62½
W. Ger. D-Mk.	11·67⅛–11·84⅛	11·72½–11·73	11·72½–11·72½	11·72½–11·72½	11·72½–11·72½	11·72½–11·72½	11·72½–11·72½
Portuguese Esc.	79·90–81·10	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05
Swedish Kr.	14·37½–14·59½	14·51½–14·52	14·51½–14·51½	14·51½–14·51½	14·51½–14·51½	14·51½–14·51½	14·51½–14·51½
Danish Kr.	19·19½–19·48½	19·41½–19·42½	19·42–19·42½	19·41½–19·42½	19·41½–19·42½	19·41½–19·42½	19·41½–19·42½
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 $		¼c. pm–par	¼c. pm–par	¼c. pm–par	¼c. pm–par	¼c. pm–par	¼c. pm–par
Canadian $		Par–¼c. dis	Par–¼c. dis	Par–¼c. dis	Par–¼c. dis	Par–¼c. dis	Par–¼c. dis
French Fr.		7–10 dis	7–10 dis	7–10 dis	7–10 dis	7–10 dis	5–8 dis
Swiss Fr.		1c. pm–par	1c. pm–par	1c. pm–par	1c. pm–par	1c. pm–par	1c. pm–par
Belgian Fr.		Par–½ dis	Par–½ dis	Par–½ dis	Par–½ dis	Par–½ dis	Par–½ dis
Dutch Gld.		½c. pm–par	½c. pm–par	½c. pm–par	½c. pm–par	½c. pm–par	½c. pm–par
W. Ger. D-Mk.		⅛pf. pm–¼pf. dis	⅛pf. pm–¼pf. dis	⅛pf. pm–¼pf. dis	⅛pf. pm–¼pf. dis	⅛pf. pm–¼pf. dis	⅛pf. pm–¼pf. dis
Swedish Kr.		⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis	⅛ pm–⅛ dis
Danish Kr.		1–3⅛ dis	1–3⅛ dis	1–3⅛ dis	1–3⅛ dis	1–3⅛ dis	1–3⅛ dis
Norwegian Kr.		1⅛ pm–1⅛ dis	1⅛ pm–1⅛ dis	1⅛ pm–1⅛ dis	1⅛ pm–1⅛ dis	1⅛ pm–1⅛ dis	1⅛ pm–1⅛ dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/8	249/8	...	249/9½	250/–	249/10½

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COMPANY MEETINGS

METAL INDUSTRIES LIMITED

STATEMENT BY MR R. W. McCRONE TO THE THIRTY-FIRST ANNUAL GENERAL MEETING

The following is a statement by Mr R. W. McCrone to the thirty-first annual general meeting of members of Metal Industries Limited held within the registered office of the company, 145 St. Vincent Street, Glasgow, on Wednesday, September 1, 1954.

PROFITS

The consolidated profits of the group for the year after depreciation are reduced from £1,477,905 to £754,046. This is the result of less favourable trading experience by almost all of the operating companies and of stock and trading losses in the engineering division. These separate adverse results when aggregated to give the group position have produced a total which inevitably is in sharp contrast to the summation in the previous year of relatively favourable individual earnings. I shall explain the position of each company more fully in the course of these remarks.

The net charge for taxation at £421,096, against £858,971 for the previous year, has benefited by excess profits levy recoverable of £75,347 and previous year adjustments of £13,952, and net profit after allowing for proportion of a subsidiary company loss attributable to outside shareholders becomes £343,140 against £612,070 a year ago. The allocation to general reserve has been reduced to £150,000 and, after making minor provisions and setting aside the amount required for the proposed ordinary dividend, we have a total of retained profit in the group to carry forward of £446,071 against £511,494 brought in.

DIVIDEND

In view of the change in the fortunes of the operating companies which became apparent in the late autumn, the interim dividend on the ordinary stock was reduced from 4 per cent to 3 per cent less tax and a statement was made that a reduction in the final dividend rate was to be expected. There has not been any recovery as yet in earnings and the directors have felt it necessary to make a reduction in the final dividend. The rate of 6 per cent, less tax, now recommended makes a total ordinary dividend for the year of 9 per cent, less tax, against 12 per cent a year ago.

BALANCE SHEET

The parent company balance sheet shows little change of moment apart from net additional advances of approximately £300,000 to subsidiary companies for finance of their approved programmes.

The consolidated balance sheet shows a reduction of £764,431 in stocks and work-in-progress which, to the extent of £222,805, is occasioned by writing off stock and commitments in excess of current programmes and otherwise is attributable partly to a certain economy achieved in stock levels and partly to contraction in the trading position. The surplus of current assets over current liabilities remains satisfactory at over £4 million.

INVESTMENT

There has not been any change in the holding of ordinary stock of The British Oxygen Company Limited, which remains at £1,500,000. This at the date of the balance sheet had a market value of £3,975,000 which was over £1 million in excess of the book value. Income from this investment included in the accounts at £225,000 gross is practically equivalent to that of the previous year which was derived partly from a differing holding.

OPERATING COMPANIES

I shall now deal with the position of the individual companies.

Electrical Division.—The companies of this division are engaged in the manufacture of electrical switchgear and motor control gear and all experienced considerable changes in demand and had to carry increased costs. In the result outputs were maintained but profits were at a less rate. Energetic steps which have been taken to adjust the electrical organisation to meet the new conditions are already becoming effective although they will take time to be translated into a confirmed improvement in earning capacity. The strengthening of the research and developing sections mentioned last year has proved of value and much special work was undertaken last year from which the benefit will lie in the future.

A contemplated extension in South Africa of the activities of our electrical subsidiary company there has unfortunately been delayed through the untimely death of the managing director in Africa which we greatly regret. A successor has recently been appointed and this should enable matters to proceed as planned.

Metals Division.—I told you a year ago that Cox and Danks Limited and John Allan and Company (Glenpark) Limited, had had lower profits as a result of wide variations in prices and unsettled conditions. Unfortunately conditions in both the ferrous and non-ferrous scrap metal trades have remained difficult and profits of these two companies have again been lower. In the case of John Allan and Company there was the further factor of considerable and costly development work undertaken without any benefit to the year's operations, but with expectation of an enhanced position in the future.

In shipbreaking we had a favourable year with the yards well supplied with work. We were thus enabled to improve organisation in many directions and to earn profits at an improved and more normal level.

Engineering Division.—Sentinel (Shrewsbury) Limited had a difficult year and has been unable to pay any ordinary dividend. Its trading position was affected by a slackening in orders for certain lines of capital goods and by cancellations, and the directors found it necessary latterly to deal with a situation of unbalanced stocks and commitments which they had hoped would be resolved over a period given reasonably favourable conditions of trading. Unfortunately conditions were not favourable and it was decided accordingly to adopt a realistic view against present and contemplated activities and to write off stocks unlikely to be absorbed in a reasonable period by present production and to provide for items rendered redundant through changes in demand. The amount written off was £222,805 and this naturally had a very adverse effect on the situation of the Sentinel Company bringing about a net loss of £177,437 which has formed a deduction in computing the consolidated earnings of the group.

This disappointing result for Sentinel I regard as being in large measure the clearance of an accumulation of difficulties originating in earlier years, aggravated by the slackening of trade in their principal lines. I am glad to say on the other hand that Sentinel machine tool manufacture has been satisfactory and that improved results are being obtained from their other speciality lines.

Fawcett Preston and Company Limited made a small loss which was almost wholly the result of a shrinkage in orders for the particular types of capital goods in which they are primarily interested. Benefit is now being felt from strengthened management and there is a growing appreciation of the special facilities and experience of this company in the construction of hydraulic presses and in heavy steel fabrication, as well as their resources in light sheet metal work where they render considerable service to other group companies and conduct a substantial business with outside customers.

Ferrous Castings Limited experienced a severe falling off in orders and a sharp reduction in margins early in the financial year and for a number of months the foundry was working only a four-day week. Towards the end of the financial year there was a material recovery from this position, but this was too late to balance the results of the year which ended in a small loss.

DIRECTORS AND MANAGEMENT

I record with great regret the loss to the board through the death of Commodore T. McKenzie, CB, CBE. Commodore McKenzie conducted with great success the highly skilled and hazardous work in the earlier days of the company of salving many of the capital ships of the ex-German fleet from Scapa Flow and in the late war rendered signal service in charge of ship recovery and salvage work in the northern seas and afterwards in the clearance of sunken shipping from the ports and harbours of Western Europe. His unique knowledge and experience was of great value in our deliberations.

The directors are very conscious of the breaches in their ranks which have occurred recently. It is their intention to appoint additional directors when the opportunity occurs and any appointments will, of course, be submitted for your approval in due course.

In an adverse time such as we have experienced in the past year a considerable additional burden of work falls on the

directors of our operating companies and on their leading officials and their staffs. Such has certainly been the case in the past year and I take this opportunity of acknowledging the constant effort and loyal endeavour of all concerned to meet the difficulties and to make progress. I am sure this loyalty and enthusiasm augurs well for the future and that it will be of the greatest value to us.

PROSPECTS

I expect that we shall again receive a satisfactory dividend from our holding of ordinary stock of the British Oxygen Company Limited, in accordance with the indications given in the chairman's remarks at the last annual general meeting.

In the Electrical Division, orders are improving, and this, if continued, will help present difficulties of maintaining a balanced and economic production and of absorbing increased costs.

In the Metals Division experience is still very much in line with last year. The course of trade for Cox and Danks and John Allan and Company is difficult to forecast when there are so many factors, but I am hopeful that there may be some improvement. Shipbreaking has made a good start, but the supply of ships, as is usual, can be seen only for so many months ahead, and the outcome of the year remains very much subject to that supply.

In the Engineering Division, Sentinel (Shrewsbury) Limited is making progress particularly with machine tool work and other lines. Unfortunately, this has been offset by a substantial reduction in the rate of delivery called for on Government contracts, which has brought the volume of work on hand below requirements. Most strenuous efforts have been made and continue to be made in a number of constructive directions to improve Sentinel's position and to obtain additional work suited to their capacity. Ferrous Castings Limited, I am glad to say, are experiencing a considerable improvement in orders, and Fawcett Preston and Company, Limited, are handling a greatly improved volume of enquiries, from which it is reasonable to suppose additional orders may eventuate, so that I think we may expect the profits of these two companies to show some betterment this year.

The directors and the Subsidiary Company directors and all concerned are working very hard to improve our situation, and I am confident that our efforts will meet with success. It must be recognised, though, that such efforts, however resolute, cannot alter the situation overnight, and cannot in a short time produce new products from the factories or quickly obtain orders for any product from new sources. All that takes time, but, nonetheless, I am hopeful that some part of the effort will be reflected in the results to be presented to you next year, although it is not to be expected that our profits are quickly to be restored to the higher levels of the past two years.

FURNESS, WITHY AND COMPANY

BURDEN OF EXCESSIVE TAXATION AND INFLATED SHIPBUILDING COSTS

GROUP'S POSITION OF FINANCIAL STRENGTH

SIR ERNEST H. MURRANT'S STATEMENT

The sixty-third annual general meeting of Furness, Withy and Company, Limited, will be held on September 22nd at Furness House, Leadenhall Street, London, E.C.3.

The following is an extract from the circulated statement by the chairman, Sir Ernest H. Murrant, KCMG, MBE:

In my statement last year I indicated that the immediate outlook regarding both rates of freight and volume of business, coupled with operating costs remaining at a high level, was not re-assuring. The figures now presented unfortunately confirm that indication, and our experience has been similar to that of other shipping companies engaged very largely in cargo transport. After bearing all administration costs and providing for contingencies, the profit on ships' trading is £4,087,415, to which is added dividends on trade and other investments £609,322, a total of £4,696,737. It is a substantial figure, but £1,964,086 falls due to be deducted for depreciation on fixed assets and another £1,162,091 for taxation. Various other deductions are shown clearly in the account (including £444,355 representing the company's proportion of the profits retained by subsidiaries), leaving £692,936 net to be dealt with in the parent company's appropriations. What your board recommend is that £250,000 be transferred to fleet replacement account, and (after providing for the preference share dividend already paid) that £396,000 be distributed to ordinary stockholders by way of a dividend of 10 per cent and a bonus of 2 per cent, both payable, less income tax. These recommendations, if approved, will leave £407,800 to be carried forward, compared with £402,114 brought in.

PROBLEM OF HIGH REPLACEMENT COSTS

Notwithstanding all that has been achieved in the post-war years (our own group alone has spent some £17 million on new ships in the past five years), the problem of replacement is still acute and will remain so and become increasingly more difficult, so long as the twin handicaps exist, namely, excessive taxation and inflated shipbuilding costs. It would seem that the Government intend the shipping industry to be satisfied with the 20 per cent investment allowance, at any rate pending more drastic remedies that it is hoped the Royal Commission will recommend, and therefore it should now be the turn of shipbuilders to contribute something to the solution of this obstinate problem.

For many years past, with one short-lived interval, shipowners have been obliged in their shipbuilding contracts to accept conditions which were not far removed from signing a blank cheque. Estimated costs, on which contracts have been based, have invariably been very substantially exceeded, due to increases in the price of materials and labour during the interval between contract and delivery and the burden of such increases has fallen upon shipowners. Shipbuilders have shouldered very little, if any, of the risks involved in these one-sided arrangements. I suggest, therefore, that the first step shipbuilders can take, and should take as quickly as possible, is to quote for orders on a fixed price basis. The second step, I suggest, should be towards reducing costs by greater productivity, not measured by value, but by increased effort, whether by man, machinery or management. It is becoming increasingly difficult to persuade shipowners to continue signing blank cheque contracts, or any contracts at all, unless prices are competitive and in conformity with earning value.

BOARD'S PRUDENT DIVIDEND POLICY

No doubt stockholders will expect something more to be said than the passing reference already made to the recommended dividend and bonus of 12 per cent. The accounts which accompany this statement reflect the prudent policy which your directors have followed and of which stockholders have consistently approved. In the result a strong financial position has been built up and earnings have permitted the distribution of a reasonable rate of dividend. It would be quite easy to capitalise part of our accumulated reserves and make a scrip issue to stockholders, but it is the board's responsibility to satisfy themselves that some good purpose would be served thereby. Once reserves have been capitalised they cannot be used for any other purpose; capitalisation does not in any way increase the gross earnings or the disposable net earnings. The contrary is more likely to be the case in respect of shipping companies, as the process of replenishing the reserve funds would then need to be intensified. It may well be that at no very distant date some part of the reserves which your company has put to fleet replacement account will need to be used for the purpose for which that account was established, namely, to write off the inflationary element in the cost of post-war built ships. The point is that if these reserves were to be capitalised, they would no longer be available for that purpose, and in present circumstances your board do not consider that any good purpose would be served, nor would it be in the best interests of the company (and consequently of stockholders) to adopt any such procedure.

THE OUTLOOK

It is more than usually difficult, in existing conditions, to attempt to assess the outlook. In any event, it is impossible to generalise within the scope of a statement of this nature, as conditions vary in different trades, some of which are more affected than others by political and semi-political considerations. Fortunately our interests are so widespread that, taking the group as a whole, adverse trends in one direction may be offset by reverse trends in another. In the meantime, however, in the open freight market for bulk cargoes, owners of ships under various strange flags appear to be willing and able to accept rates which are below an economic level.

There are a number of encouraging factors which put brighter colours into the picture. We have renewed our contract with the Bermuda Trade Development Board for a further period; we have a fine modern fleet of ships; we have a strong balance-sheet and a lively management in widespread trades and diverse activities, and a goodwill which cannot be measured in terms of physical values. But for any increase in net earnings we must look for an improvement in gross freights and a reduction in operating costs, coupled with better and more settled political conditions in many parts of the world. The immediate prospects of any such improvements are not very encouraging.

TATA IRON AND STEEL CO., LTD.

MR J. R. D. TATA ON THE OUTLOOK

The annual general meeting of the Tata Iron and Steel Company, Limited, was held on August 26th in Bombay, Mr J. R. D. Tata (Chairman of the Company) presiding.

The chairman, in the course of his speech, said that while the country was not yet wholly out of the woods, the fact that most of the unfavourable trends so prominent during 1946-52 years had either been reversed or brought to a halt reflected credit on Government's management of the country's financial and economic affairs in the last few years.

Referring to the need for a new approach to the role of free enterprise in the mixed economy, the Chairman gave expression to the belief that progress would have been greater and quicker if the private sector had, during these years, been in a position to make the full contribution of which it was capable to such progress.

NEED FOR NEW APPROACH

"There are, however," observed Mr Tata, "some prerequisites. Members of Government and Parliament should, I respectfully suggest, cease giving the impression that the present policy of a mixed economy is a temporary affair and a mere step in the direction of full-fledged socialism or state capitalism."

Continuing, the Chairman said: "More important perhaps than anything else is the need to shed certain preconceptions which have long coloured official and political thinking in our country. For instance: that the profit motive is dishonourable; that profit is synonymous with profiteering; that industrialists as a class are inefficient or dishonest or both; that about 3 per cent net is a fair return on risk capital; that the population problem will solve itself; that mechanisation means unemployment; that it is more important to impoverish the rich than to enrich the poor; that a welfare state can be built without first creating the means to pay for it; that nationalisation creates additional wealth; that centralised State enterprise and management is socialism."

Mr Tata drew attention to the remarkable change that had taken place in the United Kingdom in the last year or so since official policies in the economic sphere had been reoriented towards releasing and stimulating the productive energies of business and industry and freeing them from the burden of bureaucratic controls and ideological uncertainties which had benumbed them since the war.

Mr Tata felt sure that if the Indian Government would similarly try for a while the experiment of freeing the private sector from its present handicaps and uncertainties and allow it the necessary incentives and scope for initiative, they would be surprised at the results. No one would seriously suggest a return to complete laissez-faire in economic matters. Besides taking active part in expanding the economy, the State had to exercise general control over the economic activities of the country to prevent undesirable trends, to provide essential services within society's capacity to bear them and to protect the under-privileged. "I submit," said Mr Tata, "that these objects are not served best by policies which tend to paralyse enterprise and initiative, encourage low labour productivity and concentrate economic power in Government to a self-defeating extent."

In this context, the Chairman expressed the hope that the lead given by the Congress in the resolution on industrial policy passed at the recent session of the All-India Congress Committee at Ajmer and the remarks made by the Prime Minister on the occasion would soon be reflected in the economic policies of the Government of India.

Apart from the problem of population, India's economic problem was fundamentally one of production. While welcoming the great power and irrigation schemes in the public sector and the Governmental action in the fields of agriculture and cottage industries, Mr Tata stressed that the contribution which the private sector could make to the expansion of India's economy was potentially as great. "This, however," said the Chairman, "will require the creation and maintenance of an atmosphere in which the investor, his faith restored, is willing to risk his money; men of ability and vision, freed from uncertainties and inhibitions and from their present sense of frustration, are able to apply their energies and resources to constructive purposes, and labour, properly led and fortified by the recognition of its status and legitimate interests, contributes a full day's disciplined work to the common task."

RATIONALISATION

Dealing with the subject of mechanisation, Mr Tata said: "The age-old antagonism towards the machine is rooted in the belief that the mechanisation of industrial processes automatically leads to unemployment. The machine has in fact proved itself to be the greatest creator of jobs that ever existed. In Britain, within a generation after textile workers had smashed spindles and power looms, ten times as many men were engaged in the textile industry as before these inventions." He added that in the United States between 1939 and 1953 alone employment in manufacturing industries increased by 75 per cent, notwithstanding the fact that it was in these very industries that mechanisation had made the most spectacular advance.

Mr Tata then went on to question the proposition that if men at work today were allowed to continue to operate antiquated machines and processes, their employment would be secure. "A notable refutation of this tendency," he stated, "to mistake stagnation for stability came recently from the Minister for Labour of the State of Uttar Pradesh, who pointed out that during the last four years between ten and fifteen thousand workers in the leading textile centre of Kanpur had been retrenched not because there had been rationalisation but precisely because there had been no rationalisation."

Mr Tata was not unaware of the difficulties and hardships that hasty mechanisation would cause in India if introduced without proper care and thought in each case. He then outlined the obligations that should be fulfilled by management desirous of putting through measures of mechanisation and modernisation, such as ensuring efficiency in management, absorbing as many redundant men as possible in other jobs, helping the State wherever possible in retraining those rendered surplus, paying generous compensation to those few whom it may not be possible to retain in employment and showing an unequivocal readiness to share with the smaller number of employees that remain and with the consumer the benefits of cheaper production.

"The choice before us," warned the Chairman, "is not between modern industry and old-fashioned industry, but between modern industry and no industry at all. There is no half-way house. Either we shall build a highly productive and happy society in which workers have, thanks to the machine, regained their dignity, or we shall sink back into a primitive form of society condemned, by the inexorable increase in our population, to growing poverty and despair."

GOVERNMENT STEEL WORKS

Mr Tata referred to the decision of the Government of India to build a steel plant of an approximate capacity of half a million ingot tons and their agreement with two German firms of equipment manufacturers for the construction of the plant. He welcomed the decision in so far as it constituted a major step in the development of the Indian steel industry, but regretted that Government did not think it worth while to hold consultations with the industry or to seek its views, let alone its assistance.

ACCOUNTS

Turning to the operating results for the year under review, the Chairman drew attention to the important measure that had been initiated in providing in advance for the substantial increases in taxation which would arise in future years after the heavy depreciation allowances on the new plant additions had been worked off.

The year's accounts showed that for the first time in over thirty years, capital expenditure had substantially exceeded the year's provision for depreciation even after taking into account the separate allocation to plant rehabilitation reserve.

The financial statistics in the Company's annual report brought out clearly the policy consistently followed by the directors of ploughing back into the physical assets of the Company every rupee set aside over the years, a policy which had enabled the Company to maintain its earning power unimpaired.

Similar satisfaction could not, however, be derived from the production statistics in the annual report. "Although it was impossible to expand capacity during the war years," observed Mr Tata, "we had a great opportunity of doing so after the war. Particularly in a backward country with an ever-growing population like ours, it is the duty of industry to keep pace with the growing demand. Although we have failed in that duty, it would be unfair to blame the company for not having risen to the occasion. The prime responsibility must rest with the policy, initiated by the Tariff Commission and adopted by Government, of restricting steel prices during these years to less than half the import prices and to a level calculated to yield a net return of only 3¼ per cent on new capital expenditure. We have throughout protested against this policy which in the long run has cost far more than it has saved. By making it impossible to raise fresh capital for expansion, it has compelled the country to import large quantities of steel each year at very high prices. A moderate increase in Indian retention prices, while still leaving the cost of steel at a much lower level than that of imported steel or other commodities in relation to pre-war levels, would have enabled the industry, from internal savings and from fresh capital, to increase production and so to save the country many millions annually."

FUTURE PROSPECTS

Mr Tata expressed the belief that, everything going well, output should, with the

completion of the modernisation and expansion programme now under way, rise steadily during each of the next three or four years, when finished steel output would be 150,000 tons higher, that is, about 20 per cent over that in the current year.

While the Company would make a profit of about 150,000 tons more than at present, the rate of such profit per ton would depend on the level of costs and prices at the time. "Provided labour plays its part," said Mr Tata, "we may, I think, expect that the heavier burden of depreciation will be largely off-set by the fall in costs resulting from the increased efficiency and output of the plant. If so, our profit will be determined mainly by the then prevailing level of steel prices which itself will depend on whether Indian prices are still controlled as they are today. If control is terminated, sales realisations must then depend largely on what world prices on the one hand and Government's import and fiscal policies on the other will be at the time. While I cannot venture a forecast on these two factors, it would seem reasonable to assume that Government would not at any time permit unrestricted imports to compete unfairly with Indian steel."

The Chairman felt that they could be certain that even after the completion of the Government's steel works and of the additions to the capacity of the existing plants, there would be no over production in the country and he saw little prospect of capacity catching up with the country's demand for the next fifteen years or more.

"Our future prospects," the Chairman concluded, "will depend mainly on the extent to which we keep our plant up-to-date, our operations efficient and our costs low. Provided artificial obstacles are not put in our way and labour costs do not get out of hand, there is no reason why we should not maintain our competitive power and earning capacity."

The report and accounts were adopted.

ANGLO-EGYPTIAN OILFIELDS

INCREASED EARNINGS

The annual general meeting of the Anglo-Egyptian Oilfields, Limited, was held in Cairo on August 25th.

The following is an extract from the statement of the Chairman (Mr H. M. Jones):

My predecessors in their statements have referred extensively to the predicament in which the oil industry has found itself as a result of the policies pursued by the Government in past years and to the consequent increasing drain of oil imports on Egypt's foreign exchange resources. Your company's operations had been dominated by uncertainty and insecurity.

AGREEMENT SIGNED

In such a climate investment cannot flourish, and without investment the standard of living, especially in a country with a rapidly increasing population such as Egypt, must inevitably decline. The present Government in Egypt is deeply conscious of the logic imposed by these facts, and, after prolonged negotiations, agreement in principle was achieved in February of this year and an agreement was signed at the end of June. The two principal issues were the price structure and the granting of leases and licences. The negotiations were exacting and it would be wrong for me to pretend that your company has achieved all it wanted. The price agreement has been signed and the terms of the lease over the Ras Matarma area have been settled. However, unexpected difficulties have arisen over the terms of the exploration licences, but the difference of opinion has been reduced to one point only and we are hopeful that this will be settled in the near future.

The capital structure of your company was last changed in 1920, and the issued capital is now quite out of line with the true worth of your company and with the value of the assets employed in the business. Now that the future can be approached with a greater degree of confidence, it is desirable to establish a more realistic relationship between the issued capital and the money employed in the business.

THE YEAR'S REVENUE

The net revenue for the year 1953 after providing £522,366 for Egyptian taxation amounted to £2,269,352, as against £949,935 for 1952. The increased net earnings were due to more favourable oil prices in 1953 and to expenses being £555,712 lower.

It would be quite fallacious to regard the so-called "net earnings" of a company as being a fund which is freely available either for distribution to its shareholders or for unrealistically increasing wages and benefits for employees. A company must look to its net earnings to provide the essential flow of funds to enable it to maintain its place in the industry. It is for these reasons that we are obliged to continue the sound financial policy of retaining in the business a large part of our net earnings.

Although the total production from all fields during 1953 was only slightly less than that during 1952, it is estimated that A.E.O.'s share of the production from all fields in 1954 will be some 10 per cent less.

The resolutions giving effect to the board's capitalisation proposals and amending the Articles of Association, which had been previously approved at a class meeting of "B" shareholders, were sanctioned and the report and the accounts adopted.

WM. CORY AND SON, LIMITED

GRADUAL BUSINESS IMPROVEMENT

The Hon F. A. Leathers presided at the fifty-eighth annual general meeting of Wm. Cory and Son, Limited, held on August 26th in London.

The following is an extract from his circulated statement:

Your business gradually improved throughout the year. The sellers' market has been left behind, and business can be obtained only in the face of the fiercest competition.

The bulk of the business carried on by the Cory Group is based on the services it renders in the distribution of fuel.

The purchase of coal for home consumption is conducted by either the seaborne or railborne department. Each has substantially increased its tonnage.

The colliers which your company owns were well maintained during the year. The financial result of the fleet's trading has shown an important increase. We felt it necessary, notwithstanding the high cost of shipbuilding, to order during the year two new ships. Since the end of the year, orders have been placed for three further vessels.

Wharves for the handling of coal—and other products—are maintained in the Thames and Medway and at other ports. The total tonnage of all commodities has increased and includes a substantial volume of sugar discharged at our Purfleet wharf, where an up-to-date battery of cranes has been installed. New cranes have been ordered for our other discharging berths. The wharves themselves have been examined for possible renewal.

The barges which carry part of the coal to destination are under the control of the lighterage department. The financial return has been maintained. Your group is the largest owner of tugs and barges on the River Thames. These convey not only coal but general merchandise and petroleum products. During the year a number of new craft was added and plans are in hand for further tugs and barges to be ordered.

Exports of coal from this country have remained disappointingly low. The continental countries of Europe have needed to import less quantities of coal from the United States.

The oil department has enjoyed a successful period, with the tonnage showing a considerable increase.

The new venture entered into with Shell-Mex & B.P. Limited for the distribution of certain of the products of that company has proved most beneficial.

Our associated company in Northern Ireland had a much more successful trading result.

In the Union of South Africa the unsatisfactory state of affairs in the transport of coal is seriously cramping the coal export trade.

The report was adopted.

C.V.A. JIGS, MOULDS AND TOOLS, LIMITED

MR E. ARON'S STATEMENT

Mr E. Aron, the Chairman, in a speech to the shareholders of C.V.A. Jigs, Moulds & Tools Limited, at the annual general meeting held at The Old Ship Hotel, Brighton, on Friday, August 27, 1954, referred to the purchase by the company of all the remaining shares in E. H. Jones (Machine Tools) Limited, thus making that company a wholly owned subsidiary of C.V.A. Mr Aron presented the consolidated accounts of the group.

He pointed out that the net profit of the group, before taxation, for 1953 amounted to £163,666. After taxation this was reduced to £108,095, from which loan stock interest and preference dividends, together with ordinary dividends at 6 per cent, the same rate as in previous years, had to be deducted, leaving a balance of £82,002 for the year.

After transferring £50,000 to general reserve and making other adjustments, there remain £26,198 in the subsidiary company, and £31,585 in the holding company as undistributed profits to be carried forward to next year.

Mr Aron referred in his statement to the unfair burden of taxation on an industry with such a relatively high capital investment in plant and machinery, and pleaded for a new outlook in the approach to re-equipment of industry with capital goods by giving far higher capital allowances for the use of machinery and plant, before taxation starts.

He expressed confidence in the future and paid tribute to the support given to him by all employees of the company.

The report and accounts were adopted.

CROPPER & COMPANY LIMITED

(Carton Manufacturers)

SATISFACTORY YEAR'S TRADING

DISTRIBUTION RAISED TO 47½ PER CENT

MR FRANK W. J. SMITH'S STATEMENT

The fifty-seventh annual general meeting of Cropper & Company Limited was held on August 26th at the registered office of the company, Thatcham, Berks, Mr Frank W. J. Smith (chairman and managing director) presiding.

The secretary (Mr E. G. Hadcock, ACA) read the notice convening the meeting, and Mr W. H. Woods, of Messrs Deloitte, Plender, Griffiths and Company, the auditors, read the report of his firm.

The following is the chairman's statement which was circulated with the annual report and accounts:

I have pleasure in presenting the report of the directors and the accounts for the year ended June 30, 1954, which reveal the results of what I trust you will consider a satisfactory year's trading. The profit for the year, before taxation, amounts to £270,676, as compared with £246,617 last year. From this must be deducted the estimated taxation for the year, amounting to £152,259, leaving a net profit of £118,417. After adding over-provisions for taxation made in previous years amounting to £13,176, and the balance brought forward from last year of £49,991, and deducting the net cost of the preference dividend of £6,052 and the interim dividend of 12½ per cent on the ordinary shares, amounting to £18,378, there remains a disposable balance of £157,154.

The directors recommend the payment of a final dividend of 35 per cent, which, with the interim dividend paid last January, makes a total of 47½ per cent compared with 42½ per cent paid last year.

STRONG FINANCIAL POSITION

It will be seen from the balance sheet that the reserves previously held for replacements, possible future bad debts, falls in the value of stocks and excess profits tax postwar refund have now been transferred to general reserve, bringing the total to £525,313. This figure the directors propose to increase by the sum of £60,000, bringing the total of the general reserve to £585,313, a figure which is more than double the issued ordinary capital of the company.

Reference to the consolidated balance sheet reveals the exceedingly strong position of the group. Current assets amount to £1,625,013, against current liabilities of £376,548, and, as I have mentioned before, the fixed assets which appear on the balance sheet at £452,189 are worth many times this figure, as is also our shareholding in our associated company, Colthrop Board & Paper Mills Limited.

HEALTHY ORDER BOOKS

I am happy to state that the order books of both parent and subsidiary companies are in a very healthy state. In both companies new plant of the latest design is being installed, a process that will continue and will result, I have no doubt, in an improved output and an increased demand by us for board. We are, therefore, materially interested in the acquisition of the new board machine the Colthrop Board & Paper Mills Limited are about to install and will, when necessary, give all the financial assistance we can to enable that company to carry out its project, as it is most essential to ensure that our supply of boards is maintained.

I would like, in conclusion, to take the opportunity of thanking my co-directors, the staff and all our employees for their co-operation and loyalty during the past year, without which the results before you could not have been achieved.

CHAIRMAN'S ADDITIONAL REMARKS

The chairman, addressing the meeting, said: Gentlemen, as the report and accounts have been in your hands for the time prescribed by the Companies Act we will, with your permission, take them as read. (Agreed.)

When we met a year ago I mentioned that we had then reached a stage of more stable trading. I am happy to say these conditions were maintained throughout the financial year under review, and are reflected in the improved figures before you.

I have brought to your notice on previous occasions the strong financial position of our company and our subsidiary company, Containers, Limited, and have pointed out that the fixed assets are shown in the balance sheet considerably below their market value. The current assets on the consolidated balance sheet stand at £1,625,013, against current liabilities of £376,548.

COLTHROP BOARD AND PAPER MILLS

The shares we hold in our associated company, Colthrop Board & Paper Mills, Limited, appear in our balance sheet at £69,192, but the present market value is in excess of £600,000. I mention this asset in particular because you will have read in the press of the financial arrangement our associated company has made with Albert E. Reed and Company, Limited (subject, of course, to the consent of its shareholders to an increase of capital and also to the consent of the Capital Issues Committee). I consider the arrangement will be of the utmost importance to our group of companies. Under the terms of the arrangement we have agreed to purchase a further 25,000 Colthrop Board & Paper Mills, Limited, shares at £5 5s. per share at a total cost of £131,250. We shall therefore retain approximately the same percentage holding in the Colthrop Board & Paper Mills, Limited, as we do at present.

Moreover, we are assured of an increased supply of board when the new board machine which our associated company is erecting at Thatcham comes into production in about three years' time. Each year our board consumption grows as we continue with our policy of expansion and modernisation, and it is a source of great satisfaction to know that our future requirements of raw materials will be readily available from our associated company to meet our needs.

THE DIVIDEND

I will now propose the resolution dealing with the report and accounts, and after it has been seconded I shall be pleased to answer any questions you may wish to ask. I propose: "That the report of the directors and the accounts of the company for the year ended June 30, 1954, be, and they are hereby, approved and adopted; that a final dividend of 35 per cent, less income tax, be paid to ordinary shareholders registered at the date of this meeting; that £60,000 be transferred to general reserve; and that £45,696, the balance of the profit and loss account, be carried forward."

Mr Stuart W. Butters (assistant managing director) seconded the resolution, and there being no questions it was put to the meeting and carried unanimously.

The retiring directors (Mr Angus Marshall and Mr H. F. Smith) were re-elected, and the fee of the auditors (Messrs Deloitte, Plender, Griffiths and Company) was duly fixed.

TRIBUTE TO CHAIRMAN, DIRECTORS AND STAFF

Mr G. A. Day, in proposing a cordial vote of thanks to the chairman, directors, staff and workpeople of the company, said that it was an honour and pleasure for him to have the opportunity of proposing a vote of thanks to the chairman, Mr Frank Smith, for his astute command of the affairs of the company which together with the loyal support of his co-directors and the staff, had produced results which were, to say the least, very satisfactory. The immense strength of the balance sheet had been further improved during the past year and, as the chairman had said, the investment in the associated company, Colthrop Board & Paper Mills Limited, now had a market valuation of over £600,000, which was, in fact, more than twice the issued ordinary capital of Cropper & Company, Limited. The shareholders knew that the company's affairs were in very competent hands and no matter what eventualities might arise, they would be most effectively dealt with in a proper manner. He concluded by expressing gratitude to the chairman for his successful leadership of the company during the past year and the hope that success and good health would remain with him for many years to come.

Mr P. B. Brown seconded the motion and it was carried unanimously.

The chairman said he was very much obliged for the kind remarks which had been addressed to him and he was glad the proposer of the resolution had included his colleagues and the other executives and the workpeople of the company. They had all worked most loyally and enthusiastically—otherwise the directors would not have been been able to put such satisfactory figures before shareholders—and he had no doubt that such conditions would continue.

The proceedings then terminated.

THE GLOBE TELEGRAPH & TRUST COMPANY

ANOTHER YEAR OF PROGRESS

SIR EDWARD WILSHAW'S REVIEW

The eighty-first annual general meeting of The Globe Telegraph & Trust Company, Limited, was held on August 27th in London.

Sir Edward Wilshaw, KCMG, DL, JP, LLD, FCIS (the chairman) presided and, in the course of his speech, said:

The accounts again show that we have had another year of progress. The gross income has risen by £62,792 to £670,550, at which figure it is £110,000 higher than two years ago; in other words, over a period of two years our income has increased by very nearly 20 per cent. I should indeed be optimistic if I anticipated the continuance of so high a rate of expansion, but, apart from any general recession in trade, I do expect that the income of the year now current will at least be equal to that of the year just ended.

The earnings for the year, before providing

for taxation, are £496,684, which is £63,006 higher than last year. Income tax requires £221,314 and leaves net earnings of £275,370 this year, against £230,645 for the financial year ended June, 1953, which is an increase of £44,725.

In the balance sheet you will see that whilst the capital is unchanged at £3,882,201, the capital reserve has been increased by £58,213 to £470,758, the general reserve by £50,000 to £400,000, and unappropriated earnings by £33,201 to £197,033. The amount of the debenture stock is unchanged at £3,542,704.

On the other side of the balance sheet you will see that the invested funds now amount to £8,498,857.

In the classification of our investment portfolio you will see that the total sum is £13,166,720 compared with £10,304,988 a year ago. You will see that 84½ per cent of this sum is represented by quoted investments.

FORMATION OF CANADIAN COMPANY

As I have often said, we endeavour to give full support in a tangible manner, not only to industry in this country, but also to industrial enterprises in our overseas Dominions and Colonies. In pursuance of this policy, we have, as you are aware, a substantial interest in investment companies both in Northern and Southern Rhodesia and in the Union of South Africa. Now we are participating in the formation of a similar company in Canada and we hope as a result of our enterprise, to share in that great Dominion's future prosperity. It is our intention, through the medium of our new associated company, to help in urging forward that prosperity by investment in selected securities which will, we feel sure, ultimately redound to your benefit as well as to that of the Dominion itself.

The funds at our present disposal are fully invested and I think you will agree that we may claim that they are satisfactorily and profitably invested. In business no one can afford to stand still, for to do so brings about the loss of the momentum which is necessary to carry one forward, and it is with this in mind that we have under consideration the question of addition to the capital at present at our disposal.

The report was adopted and a total dividend distribution of 9 per cent was approved. This dividend compares with 7 per cent paid in 1950/51, and 8 per cent in 1951/52 and 1952/53.

GEORGE SWIFT AND SONS (HOLDINGS)

(Manufacturers of Specialised Machine Tools)

RECORD TRADING PROFIT

The twelfth annual general meeting of George Swift and Sons (Holdings), Limited, was held on August 25th at Halifax.

Mr W. P. Eastwood (chairman) presided, and in the course of his statement said: Once again the group output has reached a new peak, resulting in a record trading profit, and in round figures this amounted to £130,000 (against £113,000 in the previous year). From this must be deducted depreciation and various administrative charges, totalling £26,500, leaving a net profit before taxation of approximately £103,500. From this figure the Inland Revenue will take no less than £64,500 or once again almost two-thirds of the net profit, leaving your company as very much the junior partner in the transaction with a modest £39,000, out of which it must pay to the shareholders a reasonable return for the use of their capital invested and retain the balance with a view to financing the necessary re-equipment and expansion of the business.

NEED FOR TAXATION REDUCTION

It is, however, gratifying to note that, with effect from January 1st of this year, there was removed from the Statute Books the charge to excess profits levy—a tax as unfair in its incidence as it was penal in its effect. It is to be hoped that further reductions in taxation will be forthcoming in the near future.

The charge in the profit and loss account for depreciation is in the region of £13,000 as compared with £9,000 in the previous year. This increase is accounted for by the fact that we have purchased a fleet of road vehicles, including a very heavy 8-wheeler, in order to enable us to undertake our own transport.

Since the company was made public in 1942, the total net profits before taxation for the twelve years have amounted to £643,000. Of this sum, taxation in its various forms has taken no less than £420,000.

DIVIDEND AND BONUS

I pay tribute again to your management, staff and works, for the results they have attained, despite the many handicaps under which they have had to labour. On the other hand it has not been entirely due to their efforts that these satisfactory results have been achieved, as the shareholders have also subscribed in no small degree, in as much as roughly £120,000 has been spent on buildings, plant and equipment since the company became public.

The workers and staff have benefited throughout the period in relation to these results by means of various bonus schemes, etc., and it is felt that the time has now come when you as shareholders are entitled to some recognition of your share in this achievement. To this end, therefore, it is proposed that in respect of the year ended March 31, 1954, there be paid the additional 4 per cent participating bonus on the preference shares, making 10 per cent altogether, and that ordinary shareholders receive a dividend of 10 per cent plus a further 10 per cent bonus, making 20 per cent for the year in all.

So far as next year is concerned, all I can say is that once again we have a very full order book, and barring unforeseen difficulties, we can look forward to another successful period of trading.

The report and accounts were adopted.

GOLDEN HOPE RUBBER

SIR ERIC MACFADYEN'S ADDRESS

The forty-eighth annual general meeting of the Golden Hope Rubber Estate, Limited, was held on September 1st in London. Sir Eric Macfadyen, the Chairman of the company, presided. The following is an abstract of his address:

In my address last year I advised you we had then recently purchased very cheaply two estates at Rompin, Negri Sembilan, the property of local companies. We decided to accept an offer to take over one of the two and to retain only the other—of 970 acres planted adjoining our existing Bukit Pilah Division.

The year's output was 7,452,176 lb, including for the first time a full year's crop from the former Lumut Estates. We recovered from the Replanting Cess Fund £46,067; revenue from investments was £13,441, and the total profit before taxation was £141,416, against £201,843. Taxation in Malaya and the United Kingdom absorbs £64,857, leaving us with £76,559, against £117,323. We brought forward £40,491, and with a further £2,723 net received in respect of our War Damage Claims and a small surplus of £927 on disposal of fixed assets, there emerges an available balance of £120,700. We transfer £15,178 to Cultivation and Replacement Reserve and appropriate £13,526 to Development. We recommend the payment of a dividend of 15 per cent, less tax, absorbing £55,205 and, on this distribution being approved, the amount to be carried forward will be £36,791.

All divisions are reported to be well upkept; they are being tapped on conservative systems, our objective being low costs per lb rather than high outputs per acre.

The report was adopted.

THE UNIVERSITY OF MANCHESTER

RESEARCH STUDENTSHIPS IN ECONOMIC AND SOCIAL STUDIES

Applications are invited for the above studentships, tenable for one year in the first instance, and renewable for a further period not exceeding two years. The studentships are normally of the value of £250 or £300 per annum. They are offered to candidates who have obtained the degree of Bachelor or Master in this or any other approved university.—Applications should be sent not later than September 15, 1954, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

THE Labour Party invites applications for the post of Research Assistant to specialise on research connected with economic and financial problems. Knowledge of economics and the Labour Movement and drafting ability essential. Salary £602-£702.—Application forms, to be returned with specimens of written work not later than Saturday, September 18th, from Morgan Phillips, The Labour Party, Transport House, Smith Square, London, S.W.1.

FINANCE COMPANY (with main emphasis on Hire Purchase) in London, with substantial resources desires to appoint a General Manager with comprehensive knowledge of this field of finance and ability to develop the company's business. The position is one with considerable prospects, and the salary will be appropriate.
Reply in confidence, to Box 683.

MARKETING MANAGER wanted by S. Simpson, Ltd., makers of the world famous DAKS clothes. Must have knowledge of selling, advertising, presentation and promotion with ability to organise and inspire sales force at home and overseas.
Knowledge of clothing trade desirable but not essential. The position is important, permanent and progressive.
Applications, in writing, giving full details of experience, age, positions held, will be regarded as confidential, and should be made to H. Balcon, Deputy Managing Director, S. Simpson, Ltd., 92-100 Stoke Newington Road, London, N.16.

ACCOUNTANT BOOK-KEEPER required. Applications are invited from well educated young ladies experienced in this sort of work. Salary according to experience. Pleasant working conditions with good prospects.—Write in confidence, stating details of education and previous experience, to Box 680.

BRITISH CELANESE LIMITED have vacancies for male Arts Graduates with good Honours degrees who have completed their National Service and are under age 25 for engagement as Trainees. An aptitude for working in industry is essential. Training will mainly be directed with a view to a career on the commercial side (advertising or sales), although there will be a limited number of openings on the textile production side.—Applicants should state their preference and send particulars of their qualifications and career to the Personnel Manager, British Celanese Limited, 22/23 Hanover Square, London, W.1, quoting 1072.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)

The Liability of Members is limited to the extent and in manner prescribed in Chapter 70 of the Laws of Hong Kong

CAPITAL ISSUED AND FULLY PAID UP $20,000,000
RESERVE FUND STERLING £6,000,000
RESERVE LIABILITY OF MEMBERS $20,000,000

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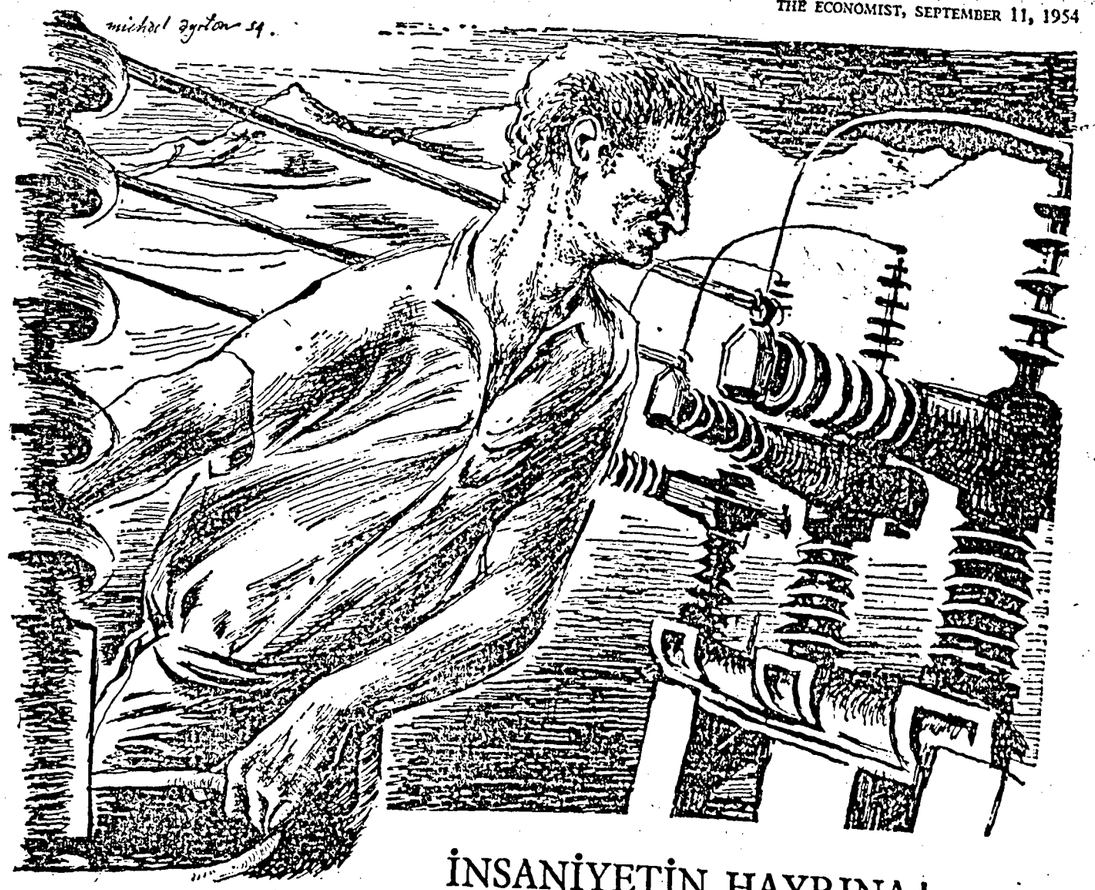
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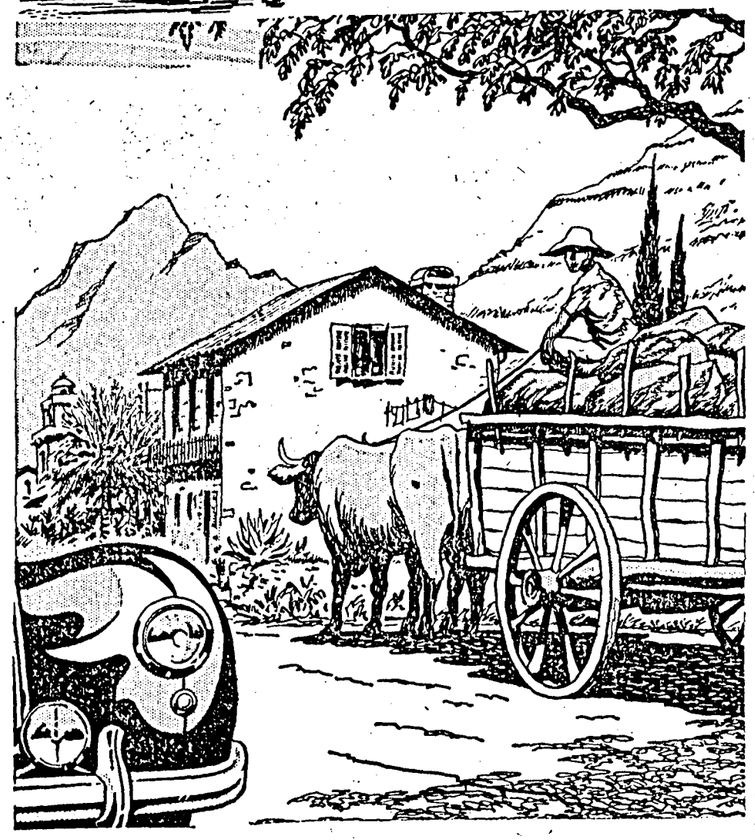
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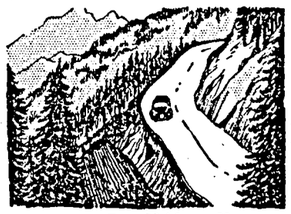
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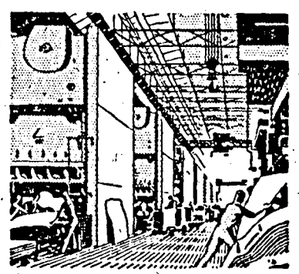
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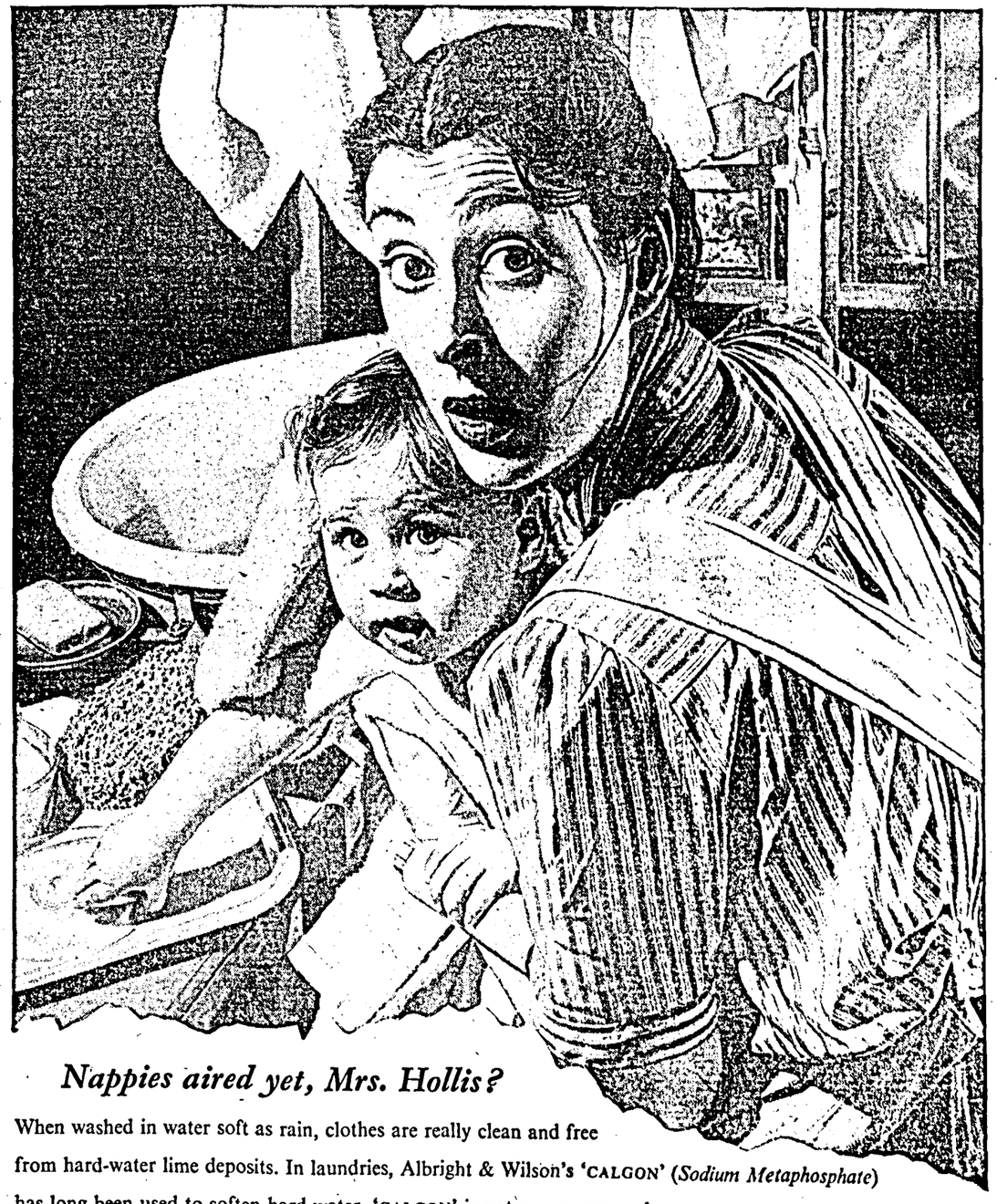
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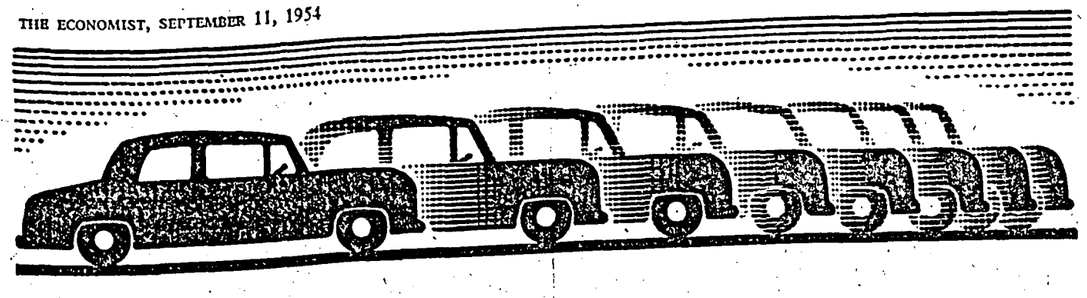
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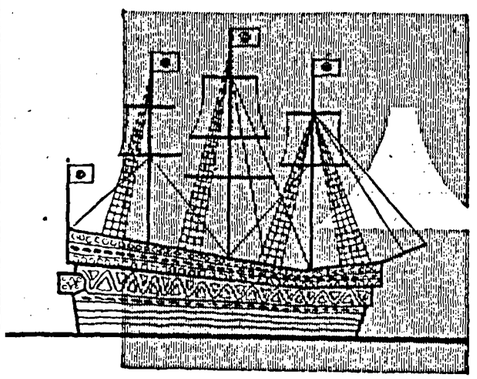
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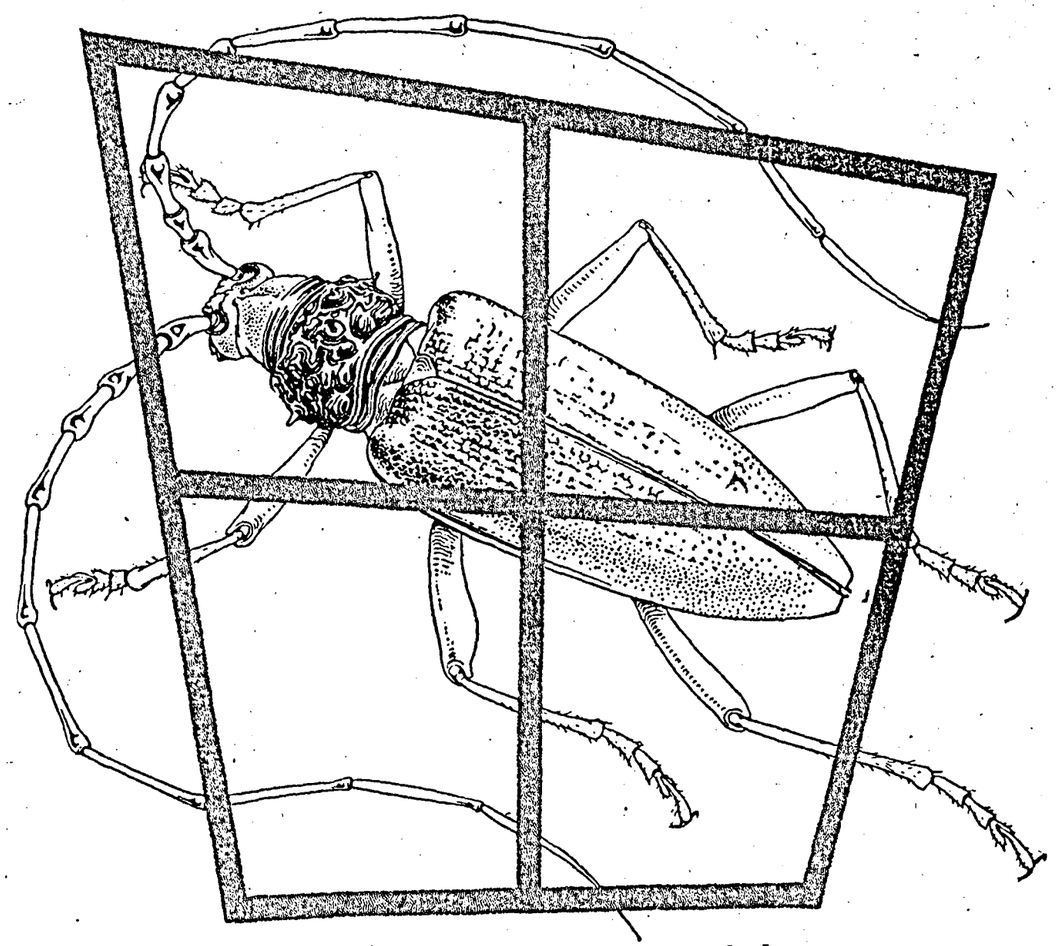
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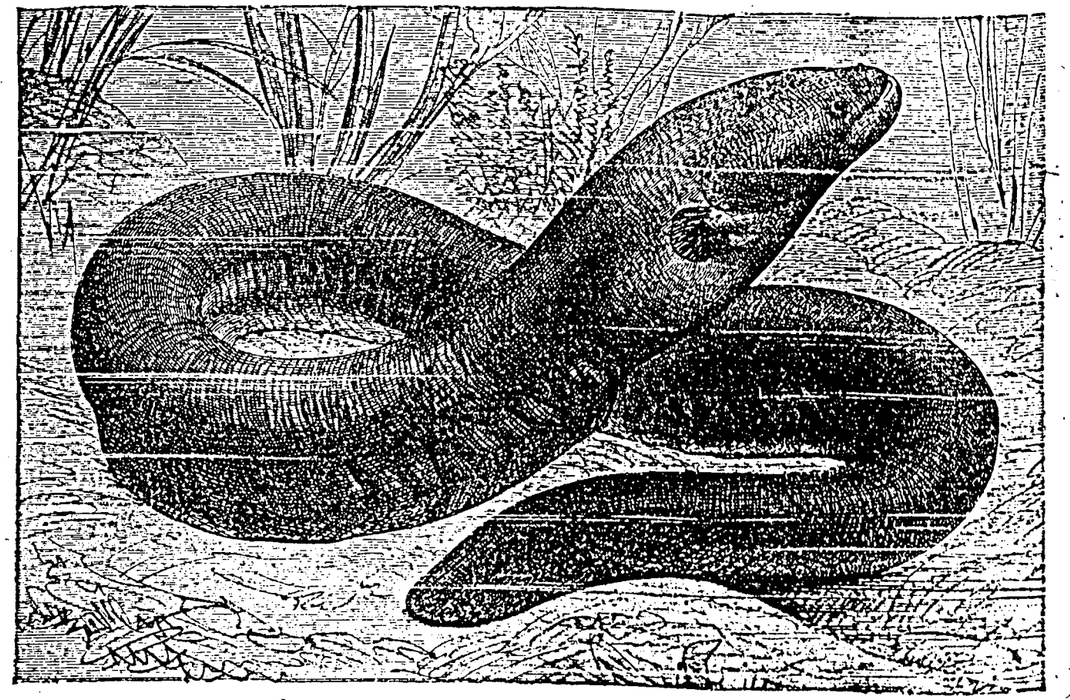
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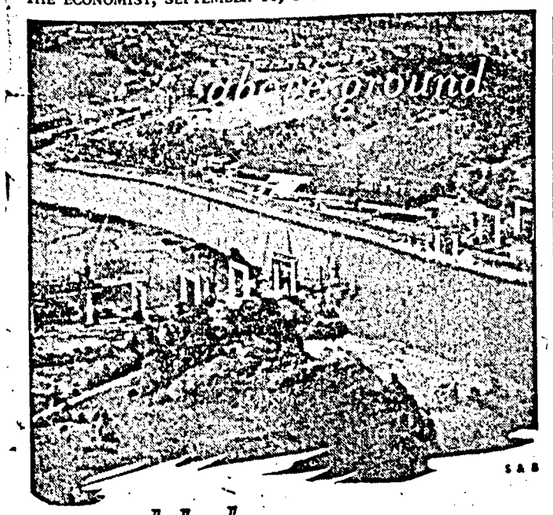
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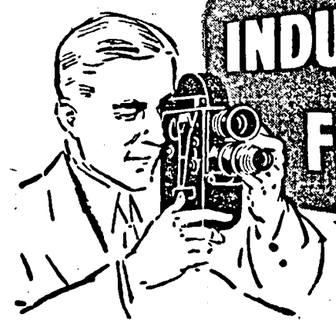


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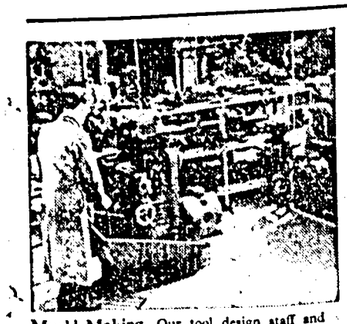
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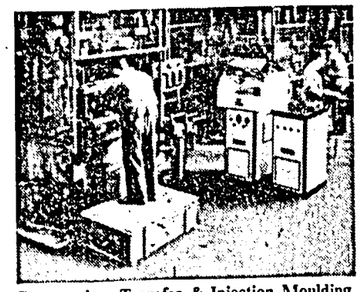
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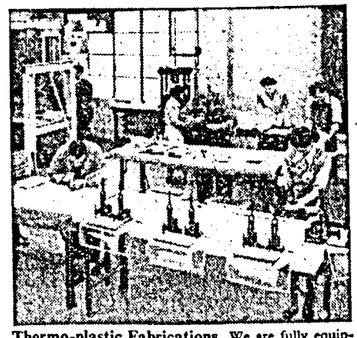
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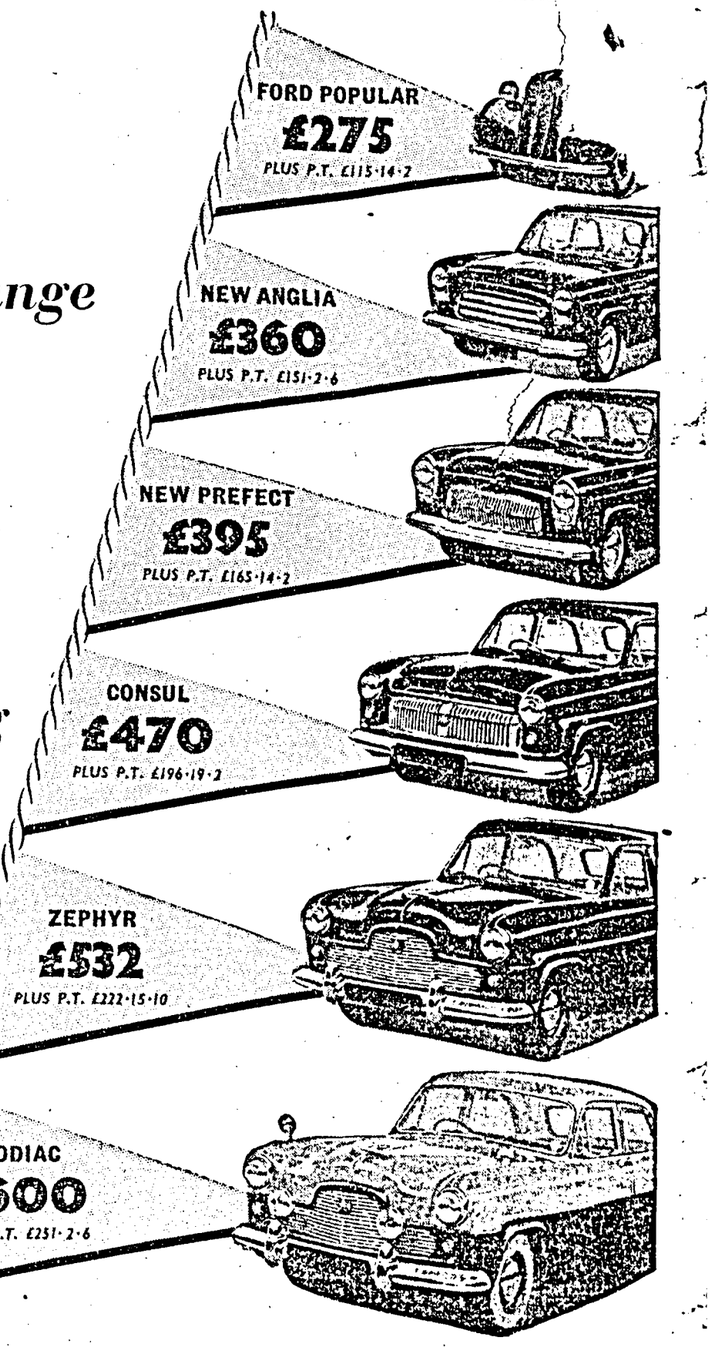
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Patience for the Pound 791
Curtain at Manila 793
New Law for Lotteries? 794
Germany into Nato 796

NOTES OF THE WEEK
Defeat at Brighton; Disappointment After Sunshine; The Unions at Home; Labour's Purse Strings; Tight Little Island; Thinning Out in Korea; The Candid Chancellor; Decentralisation Real and Sham; The Liberals and Education; Too Eager Watchdog; France Still on the Eve; Tunny Trouble; New York and Tel Aviv; Finance of Flag Days; Any Room for a Little 'Un?; Leipzig Overture; Journey to the Interior; Scientists on Show. 798

LETTERS TO THE EDITOR . . . 808
BOOKS AND PUBLICATIONS . . 809

AMERICAN SURVEY
Mourning for EDC 814
Election Calculations; TVA's Rearguard Action; Segregation on the Defensive; Building Scrapes the Sky; Semi-Farm Votes; Congressional Bookworms; Shorter Notes.

THE WORLD OVERSEAS
Fizzkrieg Over Goa 823
The Politics of Cocoa; Stakhanovites' Losing Battle; Danes South of the Border; Across the Bay from China; Russo-German Rivalry in India?; An Islamic Forum.

THE BUSINESS WORLD
In the Final Comparison 831
Less Golden Fleece 834

BUSINESS NOTES
Activity in New Issues; Spending and the Boom; Hire Purchase Still Growing; Guide to the Economy; Incomes and Savings; Profits and Dividends; High Demand for Steel; Wool Credit Renewed; Comet Resurgent; Rhodesian Copper Profits; Preference for British Steel; Sugar Agreement Difficulties; Still Cheaper Polythene; Danish Payments Crisis; Free Scrip from "Three Banks"; New Money for Loraine; At Long Last; Exports and Quality; Flag Restrictions on Shipping. 836

COMPANY NOTES AND SECURITY PRICES 847
STATISTICS 850

Living in the Air
FOLLOWING PAGE 820

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Patience for the Pound

THE Finance Ministers of the world will soon be converging on Washington; the eagerly awaited series of autumn discussions on freer world payments and trade is about to begin. Mr Butler will cross the Atlantic next week, and will not come back to this country until October 5th. His main purpose is to attend the annual meetings of the Governors of the International Monetary Fund and of the World Bank, which will take place in Washington between September 24th and September 29th; but after these meetings the Commonwealth Finance Ministers gathered there will snatch the opportunity for consultation. Before Mr Butler comes back, Commonwealth trade officials will have met in London to discuss the line that they will adopt at the forthcoming and fundamental review of the General Agreement on Tariffs and Trade; this review of Gatt will open at Geneva on October 28th.

In all these discussions, the Commonwealth's famous "plan" for sterling convertibility will take pride of place; but it now seems less likely than it did that this plan will be translated into early action. Three months ago there was still every reason to believe that the British Government hoped to make sterling convertible by or before next spring. Because of certain political things that have happened, and still more because of other political changes that the Government thinks may be going to happen, there must now be some retreat from this conviction. Not for the first time since the plan was conceived at the Commonwealth Conference of December, 1952, it is necessary to look anew at the what, when and why of this venture.

Information that has leaked in foreign capitals has by now provided a fairly coherent picture of what the plan probably contains. It is a plan that apparently falls into two stages. At the first stage, which has been named C-day, foreigners would be given the right to convert all the sterling that they earn (and all the unblocked sterling that they already hold) into dollars, while the sterling exchange rate would be set free to fluctuate outside the present narrow range of $2.78-$2.82 to the £. At the second stage, Britain would announce its intention to move forward, within a stipulated period, to the abolition of all physical controls on imports. Moreover, it is hoped that this forward move might be fitted into an agreed corpus of international trading rules, which the IMF and/or Gatt would try to enforce on all member governments. This enforcement could not be stronger than a persuasive process of nagging Finance Ministers, of the kind that the OEEC has perfected in Europe; and the rules to be followed would have to contain many escape clauses. But it seems clear that under the intended rules, and after a transitional period, a country that was in as strong an economic position as Britain is now would not be supposed to maintain any licensing restrictions on its imports; and a country whose currency was as plentiful as the United States dollar is now would not be supposed to suffer any discriminatory restrictions against its exports.

If this—or something like it—is indeed the plan, the political barriers that have lately been raised in its way must be serious. The first of these is the attitude of the Labour party. Next year is likely to be an election year. It is possible that convertibility might be achieved during it if Mr Gaitskell could be induced to meet the plan with passive acceptance; but it has always been clear that the project would not work if he was jostled by his own left wing into meeting it with implacable opposition. Now it seems likely that he is going to be jostled that way not only by the left wing of his party, but by its right wing as well. The latest economic report of the Trades Union Congress, in its search for some grounds for criticism of Tory financial policy, leaned heavily on the view that the removal of controls had already left Britain excessively vulnerable to fluctuations in world markets. It is important to recognise what this policy of Labour opposition to freer payments would mean if C-Day were, after all, allowed to dawn next spring. Foreigners would then in effect be told "Britain is giving you the opportunity to convert your sterling into dollars. In six months' time there will probably be a general election, and the alternative government that may well be elected will probably take this opportunity away." There is little doubt what foreigners' reactions would be; they would hurry forward to utilise their rights of conversion at a fast enough press to wreck the whole venture.

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The second political barrier that has arisen is the attitude of the restive rank and file of the Conservative party. The Tory backbenchers have not yet been told much about Mr Butler's plan; and they have understood still less. But their reactions—and those of leading industrialists—to their vague gleanings have clearly been singularly unenthusiastic. The objective of abolishing all exchange controls, starting with discriminatory controls, sounds very promising in theory; the objective of removing all import restrictions, starting with imports from Japan, sounds very nerve-wracking in practice. There is more than one marginal Conservative constituency in Lancashire that is not at all eager to set its tied customers free. Six months ago the word convertibility could still ring in Mr Butler's ears to the accompaniment of some distant drums of freedom; now it must presage for him the menacing tom-toms of the 1922 Committee.

It is impossible to judge exactly how far the "when" of the convertibility plan is likely to be delayed by this wider understanding—or assumed understanding—of the "what." But the factors making for delay seem to be strengthened by further examination of the "why" behind the plan. There have been three motives for the Treasury's attachment to convertibility in the last two and a half years. One has been the recognition that greater freedom would make for better division of productive effort and greater international prosperity; this motive remains, even although some politicians may now have decided that they do not like it. The second motive has been the belief that if Britain and Europe are to be helped in their advance, they should strike for that help while the iron is hot—which means before American aid, and with it the American feeling that aid is respectable, has tapered off into final extinction. Now, however, it seems probable that the only aid that will be forthcoming will be freer facilities from the International Monetary Fund; the IMF has made it clear that it is at liberty to provide stand-by credits, within the bounds set by its existing resources. For other measures to increase reserves—including even the rearguard hopes of increasing the Fund's resources and of securing a special credit from the Federal Reserve—the iron may be too cool already.

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There remains the third, and least widely appreciated, motive behind the convertibility plan. It has often been emphasised in these columns that Britain could not now meet any external economic crisis by measures of import and consumption controls of the 1945-51 type; the machinery of control has been dismantled, and it cannot be swiftly re-erected. The only way in which Britain could meet a crisis now would be by depreciation of the exchange rate (together, of course, with internal disinflation). Some of the Government's advisers are convinced, however, that another devaluation under conditions of inconvertibility would spell the end of sterling as an international currency; they think that nobody would hold a currency that was not only inconvertible but was also liable to fluctuate in value. They believe that the objective in erecting defences against disaster must be to move towards a floating exchange rate, but with convertibility too.

There are good—though abstrusely technical—reasons for criticising this view; but all that needs to be said here is that the view is firmly held. And from it arises a peculiar consideration. Many people have assumed that the advance to convertibility would be speeded only if economic conditions continued to make sterling strong; in fact, the most potent reason for speed would be if economic conditions threatened to make it weak again. At the moment there does not seem to be any such threat. It will be surprising if between now and next spring it becomes necessary to make a dash for freedom, simply because a dash for restriction is no longer possible and because market forces threaten to overwhelm Britain if it stands still. The policy of standing still, or rather of edging instead of dashing forward to freedom should still be possible. And it is this policy—though with the emphasis on the forward as well as on the caution, on a more liberal import policy rather than an earlier C-Day—that should be urged on Mr Butler as he packs his brief-case this weekend for his journey across the Atlantic.

Curtain at Manila

WHATEVER may be thought of the details of the South East Asian defence treaty, drawn up this week at Manila, it clearly goes as far as is possible at the moment. During the past few years it has been difficult to get the facts about the Communist pressure on South East Asia formally recognised and agreed upon in public. Everyone could see that the Chinese and Russians were building up the Vietminh army, and that the Communist parties in Malaya, Burma and Indonesia were following a line designed in Moscow. But hesitation about upsetting Asian politicians, military weakness and the sheer difficulty of co-ordinated planning have together hampered the western powers in taking any positive, long-term international action to deal with the situation. South East Asia has at times looked like falling to the Communists piece by piece as South East Europe once fell to the Nazis. Now at least there is a plan and a declaration of intention.

Whether the plan will work is another matter. Much will depend on the backing it receives from public opinion in the eight countries represented this week at Manila. Given the wide differences in their history, outlook and strengths, it is surprising how narrow their final points of disagreement became. The chief criticism levelled at the project of a South East Asian Treaty Organisation (Seato) has been that it was being organised by outside powers which had no business "defending" South East Asia at all, and whose only stake in the area came under the heading of "imperialism." But no other conference of similar size in recent years has drawn together the common interests of nations from so far afield; indeed, unless it had, there would have been no chance of any effective action at all. Now the question is whether the new treaty will stand the test of time, and whether in the end it can draw in those states in South East Asia that have so ostentatiously held aloof from this week's deliberations.

The aim of the treaty is to put a stop to further Communist erosion in the area. But the negotiations that led up to it at once posed two fundamental questions: whether it was politically wise to define the aim so clearly, and what the limits of the area should be. When Mr Eden insisted that Britain could not consider any formal negotiations about Seato until after the Geneva Conference, he was supported on both sides of the House of Commons, though for slightly different reasons; some on the Government benches felt that the risk of tickling American tempers was worth taking in order to try to hold out for Indian approval, and many of the Opposition favoured delay in case the Chinese should take offence and the Geneva conference break down. But none doubted that a South East Asian treaty, if it came about, must and would be aimed at preventing Communist aggression. In the event, however, Lord Reading, with the support of certain other delegations, has succeeded in opposing Mr Dulles's desire to use the word "Communist" in the text of the treaty. The British felt that anything other than a general security pact might have a bad effect among the onlookers on the sidelines, notably in Delhi; Mr Dulles argued that unless the treaty was clearly marked as anti-Communist, he might have the door slammed in his face when he came to recommend it to Congress. The final compromise has been that the Americans will attach to the treaty a memorandum on their own views.

Of the eight powers—Britain, America, France, Australia, New Zealand, Pakistan, the Philippines and Siam—half are members of the Commonwealth. And although Sir Zafrullah Khan emphasised that his presence did not mean that his country stood committed to accepting the final treaty, the presence of Pakistan marked its membership of both the Commonwealth and Colombo clubs. It raised, however, the two issues of Communism and the delimitation of the area in an acute, practical form. The British desire for a vague formula received a rebuff when it was realised that Pakistan hoped to be able to invoke the Seato treaty if attacked by India; nothing, it may be supposed, could have been better calculated to induce a more jaundiced view of the whole project in the ranks of Delhi.

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The treaty makers, however, having dropped the word Communist, dodged the Pakistani challenge, and two other awkward problems, by their limited definition of the area. In covering South East Asia and the South West Pacific, the treaty area is to be bounded on the north by parallel 21°30'. This neatly passes south of Pakistan and also of Hongkong and Formosa. It may be argued, particularly at the present moment, that after the free rump of Indo-China—Laos, Cambodia and South Vietnam—Formosa is the next most obvious target of Chinese attack; Mao Tse-tung, indeed, has shown a Hitlerian technique in tackling one objective at a time, in leaving Indo-China till Korea had been dealt with, and in stepping up the pressure on Formosa only when Indo-China had reached a lull. But, whatever the outcome of the present shooting at Quemoy, to have tried to include the Chiang Kai-shek regime in Seato would have wrecked the chances of the present treaty and would have barred all hope of getting any other countries in the area to accede to it in the future. To balance the recognition that the Americans must be left to hold the fort with Chiang in Formosa, Hongkong has also

been excluded from the treaty and left to British protection. Although this is a pity, the conditions for the colony's continued security are so special and peculiar that the lack of a formal guarantee from the other Seato powers will probably make little practical difference to Britain's position there.

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The limitations of the new treaty have, in fact, become more obvious than its advantages. Perhaps for this reason it has been received with an apathy that compares strangely with the heat of political passion in the early summer, when trouble over Seato took its place among the meteors which flash alarmingly from time to time across the sky of Anglo-American relations. But the truth is that to have made a start in formalising the defence relationships already existing in South East Asia is no mean achievement. Against the fact, for instance, that no very convincing statement could be made about Laos, Cambodia and South Vietnam, because specific undertakings had been given at Geneva that they would not be included in Seato, must be set the knowledge that American strength and interest have already made the Communists pause. Against the inability of the parties to agree on automatic action (Seato is consultative like the Anzus pact, and unlike Nato), and the virtual separation of economic measures from the political treaty, there is the fact that agreement has been reached on two unusual features. Consultation is promised about aggression against certain designated territories, whether or not they are members of the pact. It can also come into operation if the Communists overthrow legally constituted governments by internal subversion; the immense difficulty of defining this type of aggression without infringing sovereignty has in part been overcome by the general consultative nature of the pact as a whole.

The next task is to get the treaty ratified and to make it a factor in rebuilding confidence in South East Asia. That means much public argument, during which the treaty will be defended in different parliaments on very different grounds. Mr Dulles will be concerned to prove that it is more effective than it looks; Mr Eden will be concerned to show that it is less provocative of the Chinese than the Opposition may think fit to concede. There is a risk of confusion and vacillation in public opinion. The debaters would do well to bear in mind two points. First, that any action by the Chinese that brings Seato into action will bring danger nearer to those Asian countries that have stayed away from Manila. If, for example, a real threat to Siam were to develop, then the security of Burma could not fail to be affected. Secondly, that the organisation will develop real cohesion and power only if confronted by visible and imminent danger. Whether the new organisation becomes an active and powerful body depends to a great extent on the behaviour of China. What is true of Nato will be true of Seato, different though the two bodies are: it will thrive under Communist threats and shrivel under Communist politeness. Whether China can co-exist peacefully with it depends above all on the manners of Mao Tse-tung.

New Law for Lotteries?

THE betting laws of Britain are always good for a laugh. The promised spectacle of Labour Party supporters, pledged to the abolition of inequalities in wealth, declaiming against the evils of unearned capital gains at meetings arranged by agents who will be paid from the proceeds of a special weekly football pool for party members, is merely a better joke than many. But, when the laughter has died away, the problem this pool is designed to meet remains. Why should not a group of people, collecting money for an object which they all support, agree among themselves that two or three of their number, chosen by chance, shall also have a limited share in the cash collected? At the moment the effective counter to any such agreement is that the local Chief Constable may then feel that there has been a breach of the Betting and Lotteries Act, 1934—and the word "may" is as much a deterrent as anything in the Act itself.

The laws governing betting and gaming have become increasingly tangled ever since Parliament first set its foot on the slippery slope of attempted regulation by passing the Unlawful Games Act in 1541. The intentions of the promoters of that Act, and of all those that followed it, were no doubt excellent; better than those of Pandora when she opened her box, but the results roughly correspond. Betting has never been declared illegal. It has merely been made half-difficult to indulge in. Its contracts have been made unenforceable. It has been forbidden in streets and public libraries. Its advertising has been restricted and it has been denied to infants. Particular games with cards and dice have been banned. The general impression left by the range of statutes, from the Gaming Acts of 1738 and 1739 to the Pool Betting Act of June this year, is that betting, gaming and wagering are really wicked; but that certain forms of the wickedness must out.

Today, the gambling proclivities of the public, which, of course, have not been changed at root by two centuries of legislative endeavour, manifest themselves in three main ways. People bet on horse and dog races, which is legal if done for cash on a course and by credit anywhere else; on football pools, which have become a very big business; and by private lotteries, which range from simple draws for a Christmas turkey

to larger schemes for the support of every kind of local social and athletic activity. Betting on horse and dog races is mainly, and that in the organised football pools entirely, conducted for the profit of the organiser, the man who receives the bet. The smaller lotteries are not, and it is they (perhaps in consequence?) that are now in the dark shadow of legal uncertainty. Their newly created association, the National Association of Sports and Welfare Clubs, sent a deputation to the Home Secretary at the end of July to ask for an amendment to the existing law.

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These small lotteries were last regulated by the Betting and Lotteries Act of 1934. Section 21 of that Act starts off boldly enough by saying: "*Subject to* the provisions of this Part of the Act, all lotteries are illegal"; but, since the Act does not define what a lottery is, that clarity is a little deceptive. Lotteries have, however, been defined in the courts, by the usual process of trial and error. The accepted summary of their decisions is that a lottery is a scheme for distributing prizes by lot or chance, but if merit or skill plays a part in determining the distribution the contest is not a lottery. The police and the lawyers are always prepared to have a tussle, at anyone's expense, over what constitutes merit or skill in this connection. Some of the small lotteries (or, rather, near lotteries) that are legally carried on are those that have fallen on the right side of this definition.

The other legal types of lottery are those that benefit from two small indulgences granted under the 1934 Act. The first of these indulgences, which does not give rise to any great difficulty, is the lottery incident to an entertainment. This is permissible on certain strict conditions: the proceeds must not go for private gain, the prizes must not be in cash and must not cost more than £10, and the tickets may be sold only at the place where the entertainment is held and while it is in progress. The scope for this kind of lottery is obviously very limited, but it should be emphasised that when a raffle is run at a church whist drive the parson is not in danger of going to gaol.

The second exemption under the 1934 Act is that a lottery may be:

(1) Arranged for its members by any society (a very wide term, as defined by the Act) which is "established and conducted" for purposes not connected with gaming wagering or lotteries; or

(2) May be arranged by any person for those who work in the same premises, or who reside in the same premises as he does.

In all cases the whole of the proceeds must go either to the prizewinners or the funds of the society; the only deductions allowed are the actual costs of printing and stationery.

The lotteries arranged by someone for those working or living with him—a category that covers the factory or the family sweep on the Derby—do not cause any real difficulty. But the lotteries organised by a "society" do. There are minor problems—the rule about expenses has proved too rigid in practice—but the basic problem is this: what does the expression "established and conducted" for purposes not connected with wagering really mean?

Apart from such media of mass entertainment as the major professional football teams, most sport today is not fully supported by what is collected at the gate. Many sports clubs, including even some that are national institutions, have therefore tried to draw funds in from their habitual supporters by devices that are technically lotteries. Their first difficulty is that their supporters include many—probably the majority—who are not members of the club that arranges the draw (Lord's, for instance, is not wholly supported by members of the MCC). Their lottery, to be legal, must be confined to full members of the club. The second problem is that if a "supporters" club is formed as a financial auxiliary to the main body itself, such an organisation (in the eyes of many Chief Constables) of necessity becomes a body engaged in "conducting" gaming or wagering activities. It therefore ceases to come within the exemption given by Section 24 of the 1934 Act. The Chief Constable is not to be blamed; he would be deserving of blame if he decided to interpret any law in the light of what he thought it ought to be. But the result is that athletic clubs, among others, languish in a state of paralysing uncertainty; and there will be very few cricket clubs who will be able to survive for long on no more than their takings at the gate this summer.

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That is one result. Another is that some organisations are being tempted to turn away from ordinary lotteries to set up football pools; the proposal by Labour party supporters to create their own, in Clarion Services, Ltd., is an example of this. Local political parties, like local sports and social clubs, must find money—for premises and a full-time agent and other needs. If the sweepstakes they have been running are unlawful, the football pool—which is adjudged to contain an element of skill—seems a way out. It is guaranteed by statute to be legal; and, since Mr Mulley's Act to regulate this form of betting this year, it is now respectable as well. As one Labour party secretary wrote in a letter to the Press: "Lacking concern for awkward principles, it seems a lawful way of meeting a need with a minimum of opposition." However many questions that letter may beg on the way, it goes straight to the point.

A very silly situation has therefore arisen. It is now clear that the combined effect of a rigid enforcement of the 1934 Act and of the way of escape into the newly-blessed field of football pools may not be to reduce the volume of gaming activities. These activities may merely

flow into a fresh channel, and not necessarily a more desirable one. True, the Revenue will benefit; there is a 30 per cent tax on pools, nothing on small lotteries. But the public, the sports club or political party, and the national interest will not benefit. The expenses of running a legitimate pool are heavy. There are registration fees to the local authority to be paid, a statutory "accountant" to be employed, and staff and general expenses will creep up. The result may be a mounting pressure to extend the basis of support given to the pool, until the pool itself may become more important than the activity it was originally designed to help.

It is always possible to argue that it is time the betting laws of this country were given a thorough overhaul, and there is a three-year-old report of a Royal Commission which adumbrated the lines on which this might be done. But Parliament has avoided doing anything of the sort for the last two centuries, and it is foolish to look for any immediate change of heart; any progress that is made will only be made in very small steps. The reforms that the National Association of Sports and Welfare Clubs recently urged on the Home Secretary do not amount to much more than clarifications of the 1934 Act. It should be possible to include lotteries organised by supporters' clubs, as well as by the members of the principal club itself, in the exemptions given to the general ban. Those who ask for a revision would probably accept a limit to the cash going out in prizes; they might also accept some form of registration with the local authority, on the precedent set up by the Pools Betting Act.

The Home Secretary may reply that this Government cannot spare its own parliamentary time, that this is a proper subject for a private member's Bill. If he does, he should state clearly what changes in the existing law the Government would support if they were put forward in a private member's Bill. This would be an encouragement to a great many admirable organisations now in difficulties, and perhaps also to some private member fortunate in the Commons' own lottery next session. The Government must know that a majority of people in Britain today are not individually averse, on moral or any other grounds, to buying a sweepstake ticket in support of a local club or activity of whose work they approve. It should act promptly on this knowledge, not delay in its fears.

Germany into Nato

OF the fourteen governments that are members of Nato, nine are to tackle together the situation created by France's rejection of the European Defence Community. If they should meet shortly, as they should, more than one difference of view and interest will cut across the ties that hold them together. It will be a conference of allies among whom confidence has been badly shaken. The French are isolated and suspicious; the Germans are impatient and self-assertive; the Italians and their European partners in the Low Countries are vexed and apprehensive for the European idea; the Americans are close to exasperation; and the British are gloomy and puzzled. Only the Canadians seem likely to arrive in a cool and judicial frame of mind.

The Six Attitudes

Germany. The new and preponderant fact is that the Germans now ask for independence on fresh terms. Just what they will accept in the way of restrictions on their sovereignty—that is to say their freedom of action in all essential matters—is uncertain. They must be expected to take up bargaining positions from which they will retreat only in return for concessions from France and others. A distinction has to be drawn between their insistence on receiving the formal right to rearm as they wish—the exercise of what they call *Wehrhoheit*—and the amount of rearmament that Dr Adenauer's government would in fact wish to undertake. If it proves impossible to restrict the former, it may yet be possible to restrict the latter by free agreement of the Germans themselves. The same is roughly true of the occupation. That must come formally to an end; but the continued presence of allied troops could be freely accepted in Bonn not only as a precaution against aggression from the east but also as a stabilising factor in German politics—which some democratic Germans would privately welcome.

There need therefore be no landslide in allied policy for Germany, provided that Dr Adenauer can prove two things to men of good will in his own country. The first is that Western Germany has the freedom, if it wishes, to frame its own policy for promoting German unity; the method of uniting Germany remains, of course, subject to four-power agreement, for with a united Germany there must be a peace treaty acceptable to the Soviet Union, the United States, Britain and France. The second is that special relations with a European group or the existing Atlantic alliance are freely accepted and not imposed. Dr Adenauer's political purpose must be to take the wind out of the sails of nationalists who clamour for German freedom and Social Democrats who demand priority for German unity. He has only a little more freedom of manoeuvre than M. Mendès-France.

France. The European Defence Community has been rejected, but there is the authority of the Prime Minister for believing that a majority of French deputies want to maintain the Atlantic alliance. They want American and British friendship for its own sake; they want all possible protection of France against Soviet mischief;

and they look to the Atlantic grouping to provide in some way or other a harness for a strong Germany. If there is broad agreement on these points among most non-Communist deputies—the Communists will vote in all circumstances against German rearmament and German sovereignty—there are none the less deeply-felt differences over important details. The harness must not lie too heavily on France; it was the main burden of Gaullist and other right-wing criticisms of the EDC that it bound the French army in chains. It must be of a closely-woven rather than a loosely-knit pattern; this is what the Bidault-Pleven group has been saying, and M. Mendès-France needs their support.

Hardly any Frenchmen will be found to accept unrestricted German rearmament. If they can be brought to accept German sovereignty in defence matters it will be only in return for limitations to the size and character of the German defence contribution. Most of them will demand, in addition, guarantees that American and British forces should be present on the spot to see fair play between France and Germany. It is, therefore, easier to see what most Frenchmen will reject than what a reasonable majority of them would accept as a substitute for EDC. They will wait, or wish to wait, for clear signs of German, American and British attitudes. They will tend, especially after the passionate ordeal of the EDC debate, to think more of France's plight than of Europe's crisis.

The European Four. It is not easy to define an attitude common to Belgium, Italy, Luxemburg and the Netherlands. Confronted with M. Mendès-France's amendments to EDC at Brussels, they formed a solid front in favour of European integration. They were set on preserving not only the defence community but also the coal-steel community, the incipient political community and the European movement in general. M. Spaak was, as it were, the European Pope, confronted with the French heretic. They are likely to fight hard to preserve some relics of the European idea, almost certainly with the support of Dr Adenauer. They will cling to the hope of an EDC rump within some Atlantic club, of which the United States and Britain will be active members. They appear not to fear German rearmament as the French do.

The United States. American thinking since the rejection of EDC is analysed elsewhere in this issue by our Washington Correspondent. Here it is sufficient to say that only the Americans seem to see the strategic problem steadily and see it whole. Their view—shared by most military experts in the free world—is that Western Europe cannot be defended against Soviet attack without German assistance. The military experts of Nato—and the British Chiefs of Staff—have never wavered from this view. If it is argued either that a Soviet attack is unlikely, or that aggression would be countered mainly by air power and atomic weapons, the military reply is that no one can be certain—after Korea and Indo-China—how a threat to Europe's security might develop. If it is argued that troops on the ground are less necessary than they were, the Americans can ask "Why, then, are you so anxious that our troops and the British troops should stay in Europe?" To this Europeans reply that they expect the emergence of a German army to be the signal for American troops to begin leaving Europe. This is a fear that no President can calm with a pledge about the future; he can only reaffirm loyalty to the North Atlantic Treaty and assert the right, which the French themselves defend so passionately, to take independent decisions in such matters.

Britain. It looks as if Mr Eden is cast for the part of mediator among the nine powers. Britain is closer to Europe than the United States but further from Europe than France. It tries therefore to steer a middle course, leading it into a series of Janus-like postures. It wants German rearmament for the same reasons that the Americans want it; but it is more tolerant of French fears and objections than they are. It is attracted by the idea of an Anglo-German understanding, but not at the expense of the Entente Cordiale. It is prepared to see some of its divisions and squadrons under Nato commanders (they are already), but it will not give up the final authority over its forces in Europe. It wants Western Europe to form a tightly organised and permanent club; but has refused so far to become more than a country member itself. It might accept tighter links within Nato provided that it is never committed more than a degree or two further than the United States. It believes that some attempt at peaceful co-existence must be tried, but it sees no ground yet for relaxing military preparedness. It will not, therefore, abandon German rearmament as many Frenchmen would wish; nor will it allow German reunification on present Soviet terms, as some Frenchmen and Germans would prefer; nor will it discuss the problem of Germany with Moscow—as many Frenchmen and Germans wish—until Mr Molotov has indicated that he has new terms to offer.

Canada. The Canadians are entitled to attend this conference for three reasons. First, they have been unflagging in their effort to make out of Nato something more than a military alliance; secondly, their brigade group in Germany is an important part of Europe's defence, both militarily and symbolically; thirdly, they can speak more frankly about Commonwealth attitudes to British involvement in Europe than the British themselves care to. They may well play a decisive part in keeping the broad vistas of the Atlantic alliance before the eyes of European experts who have to hack their way through a jungle of technical detail.

Possible Solutions

The layman who proposes solutions to such a conference is, perhaps, foolhardy. But public opinion in a dozen countries is deeply and intensely involved in the issues the Ministers will face. And it is only too clear that statesmen and officials are in no mood or condition

for thinking out plans that may involve them in further loss of face. France's rejection of EDC has made people wary of appearing to be starry-eyed. The public may therefore join in with a good conscience. Basically the problem is one of restoring confidence and only the conference itself can do that. But one or two other points are clear. First, there must be some gesture of good will from Paris to Bonn. Secondly, Dr Adenauer has to be shown new ways of accepting obligations that will reassure non-Communists whose minds are scarred by memories of Hitlerism. Thirdly, those obligations must be somehow underwritten by Britain and the United States in a manner that Frenchmen will believe to be proof against changes of feeling and policy in London and Washington.

It is a difficult circle to square, but past experience suggests that a solution would best be sought firstly in the military sphere. In Nato there is real military integration, real enough to set some restraint even on the Pentagon and Whitehall. Can German staffs and forces be so integrated with the Nato staff and forces that a new General von Seeckt, working in Bonn on a new model Wehrmacht, would find his hands tied and his top secret papers under scrutiny? That is the essence of the problem. Perhaps it could be dealt with in this way. Suppose:

1. that France agreed in principle to German membership of Nato in return for an agreement that Germany would limit its armed forces to a size that would always be a fraction of combined American and British forces in Europe—say five divisions against ten. In other words, if American and British forces were reduced so would the German be.
2. that Britain agreed not to reduce its forces in Europe without the consent of Nato.
3. that the United States agreed to supply arms to Germany only through a Nato organisation.
4. that Canada agreed to provide facilities for arms to be manufactured in Canada for a European armaments pool, with the aid of American capital and German industry.
5. that all of the European governments concerned, led by France and Germany, agreed to conduct in common all research and production for scientific warfare.

To every one of these suggestions there are strong political, military and practical objections, most of them based on the desire to maintain sovereignty in this or the other particular. But without proposals that do infringe everyone's sovereignty in one way or another the conference will fail to extricate itself from the morass into which they have wandered. And unless account is taken of the vast changes in arms and military thinking that lie ahead no new Nato plan will survive half a decade.

Notes of the Week

Defeat at Brighton

THERE is now little prospect that Mr Attlee can lead the Labour party to be helpful in the diplomatic struggle to fit Germany painlessly into Nato. The General Council of the Trades Union Congress grasped the nettle of this controversy at Brighton this week, by putting down a blunt motion that urged "the speeding-up of complete plans for effective Western defence which will enable Germany to bear its share." Congress passed this by 4,077,000 votes to 3,623,000, a majority of less than 455,000. As far as can be judged, the unions that voted with the General Council will deploy about a million and a half less votes at the Labour party's conference at Scarborough than they did at the congress; the voting strength of the unions that opposed the General Council will fall by rather less. The majority in the trade union section at Scarborough for any straight motion about Germany—the sort of motion which Mr Attlee would like—might not be wholly eliminated; but it would be exiguous. The issue would then rest with the million or so votes of the constituency Labour parties; and about two-thirds of them are Bevanite, sometimes even crypto-Communist, controlled.

Mr Attlee's only hope now is to avoid a straight vote at Scarborough. This will not be very glorious, and it will also not be very easy. It will not be glorious to have to say that, in the summer when the front on which freedom and peace depend was built up, his only contribution was to try to dissuade the party that he leads from active treachery to the cause that he knows to be right. It will not be easy because the Bevanites are howling for a straight vote; they now have the woolly brand of pacifism that made Labour so ineffective in the thirties, the proved pervertibility of their party's constitution, and the fact that their campaign has apparently not been harmed by being based here and there on some quite shocking untruths, working in confused alliance on their side. The only helpful thing that can be said at the moment is to wish the poor leader luck.

Disappointment After Sunshine

THE vote at Brighton was the more unfortunate because it came at the end of a week in which everything had gone right for Mr Attlee and his supporters in the party. He had said some of the right things about his visit to China, in Hong Kong and in a London evening newspaper; he had been fortunate enough to be attacked in *Pravda*. His object of being able to say that Mr Bevan is not quite right about China—which was his main reason for going East himself—had been strengthened by the report that a miner at one of the Chinese coal mines which the delegation visited had been publicly executed a few days before, because he had broken a machine. And Mr Attlee's reputation as a moderate and sensible Labour leader had been enhanced by juxtaposition with Dr Evatt.

Above all, the latest Gallup poll has shown a clear swing to Labour. When allowance is made for the redistribution of the preferences that are Liberal in casual expression but cannot be translated into Liberal votes at an election, and also for the swing back to the government of the day that always takes place on the eve of a general election, it would be unwise to judge that the Conservatives would necessarily be defeated if they went to the country now. But, for the first time for nearly two years, it does seem to be true to say that they would not necessarily win.

The Unions at Home

IN addition to all this, during the first two days' proceedings at Brighton everything had gone right—in both senses of the word. Except in the vote about German arms, which cut across normal affiliations, Mr Deakin and his colleagues were in full control. Despite some desperately hard work in the past year, the handful of Communist delegates arrived at Brighton with a bare half-million block votes—gained, stolen or strayed—in their pockets. They brought these into the open on the first day, on a procedural point that was cleverly tied to the crucial issue of "German rearmament"; it was promptly voted down by 5,884,000 votes to 1,600,000, with more than half of those who eventually voted against the Council on Germany glad to dissociate themselves in this initial tussle from their embarrassing bedfellows. By the second day the Communists had temporarily declined from a menace to a joke, as they disconsolately cast votes for each other in the elections to the General Council. The Council, of course, rode past this challenge into re-election in precisely its present form—except that those two retiring and respected stalwarts, Mr Jack Tanner and Sir Will Lawther, were replaced by men of the same persuasions and from their own unions.

On every other issue too—including a blunt refusal to indulge in any conversations with Russian and other Communist trade unions, and a recognition that an increase in old-age pensions "may mean a rise in contribution rates"—the right wing's views proved triumphant. By Wednesday evening Mr Deakin was clucking happily that "some of Pollitt's rabbits are suffering from myxomatosis, blindly staggering from one indiscretion to another." The congress's generally emollient view of domestic affairs was made softer still when the leaders of two of the railway unions, who had taken time off from Brighton for discussions with Sir Brian Robertson, announced that "some progress" had been made towards solution of the railway wage deadlock. As *The Economist* goes to press, it is reported that this progress is due to the fact that the Transport Commission has added more than a million pounds to its previous offer. Spread in the right places, among the skilled grades, this new money may be barely sufficient to prevent a strike. But there will be much bewilderment, and some suspicion, about where the Transport Commission thinks that it is going to find this additional sum.

Labour's Purse Strings

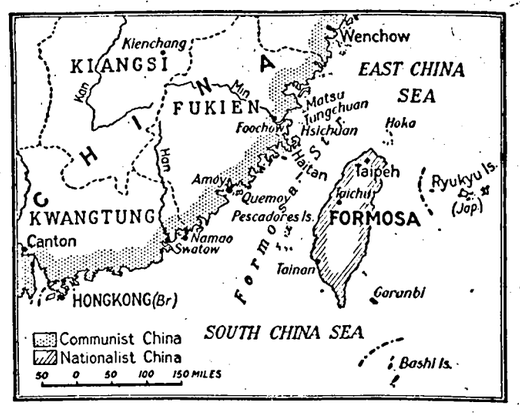
THE issue of German rearmament, and other problems of foreign and domestic policy, are not the only subjects on Labour's mind as the Scarborough conference approaches. The party has also to face some hard facts about finance, to which the unions have for some time been giving careful thought. When Mr Gaitskell reaches the post of treasurer, to which his election now seems a certainty, he will find that although the party has a reasonably solid reserve of some £193,000 in readiness for the next general election, one of its key funds—the Party Development Fund—has shrunk from £110,000 in 1951 to a mere £32,400 today. The need to replenish this fund, which was established in 1949 for publicity, propaganda and organisation, is all the more apparent because of the drop in total party membership during the past year, and of the need to prepare the ground during the next twelve months for the expected general election.

Mr Gaitskell took tea with some of the union leaders in Brighton this week, and he must have been made aware of one of their present anxieties. The union leaders have been worried for some time about the lack of good men of union stamp to come forward as would-be parliamentary candidates—and the even smaller number of these men who get past the selection committees of local parties. With so many constituency parties strongly Bevanite, the possibility of a slow but perceptible shift leftwards in the men and women selected as Labour candidates cannot be ignored. The unions who, election after election, put up the bulk of the fighting funds and five-sixths of the party's membership fees, have good reason to feel concerned at this trend, which has brought Mr Bevan at least two energetic recruits through by-elections in recent months. It will not be surprising, therefore, if the union leaders turn their minds again to a project, which was canvassed some months ago, that they should cut down their donations to the general expenses of the party, and step up their support for candidates they are willing to sponsor. They may also demand that the constituency parties should contribute more towards headquarters funds than their present 6d. a head for each of their members.

Tight Little Island

THE artillery duel between the Chinese mainland and Quemoy island, four miles away, together with the Nationalist counter-attack on the port of Amoy, have made this obscure point on the map the world's most explosive trouble spot this week. There is, so far, no evidence that the attack on Quemoy is the prelude to an immediate assault on Formosa. Quemoy, from whose shores Mao's troops were repulsed in 1950, is a Nationalist advanced post so near to the mainland that it is both insult and injury. The present attack on it is doubtless being made largely for political motives. At home, Mao can mobilise patriotic feeling by focusing attention on the existence of an enemy so close by. Abroad, Peking can hope to enlist sympathy for its desire to clean up a situation which few countries would find tolerable and so confuse people's minds about the more complex problem of Formosa's future.

Potentially, moreover, an attack on Quemoy might draw America into an exceedingly ticklish position. In the event



of further attacks on this tiny island, Chiang Kai-shek might send reinforcements from Taipeh. Suppose these, while in transit, came under air or naval attack from Communist forces. What would the American Seventh Fleet do? Although Quemoy has been explicitly excluded from its responsibilities, it would surely be involved in any air-sea action near Formosa. If this happened, Mao would have succeeded in drawing the Americans into a clash in circumstances with which their allies would have little sympathy. An invasion of Formosa by Mao might rally opinion even among those free nations which have little love for Chiang, but want no more bloodshed in the Far East; a war on behalf of Quemoy is an altogether different proposition.

It is certainly alarming to learn that American officers have been present on Quemoy, and that Congressmen and local American commanders have paid it official visits. One wonders what Californians would feel if they discovered Communist Chinese radar posts on Santa Catalina island, off Long Beach. The political disadvantages that must attend continued American involvement with Quemoy far outweigh its dubious strategic value.

Thinning Out in Korea

PEKING has announced that seven divisions of Chinese troops will be withdrawn from Korea before November. The announcement is probably as near as one will ever get to an honest admission that the "people's volunteers" who flooded into Korea four years ago were in reality regular units of the Chinese army under regular command. The pretence that has been kept up on this point provokes some diverting speculations. Can a "volunteer," in fact, be withdrawn by a government that denies responsibility for his actions? But the "volunteers" are unlikely to have any more choice in their going than they had in their coming—which, as the Indian screening of prisoners revealed, was in many cases highly involuntary.

On the face of it, the Peking announcement is encouraging. The sooner Korea can be relieved of the massed armed forces that still confront one another there, the less long will it be a danger point on the world map. But not much optimism will survive a second glance. The Chinese forces in Korea will remain much greater than those of the United Nations. Even if they were equal, seven small Chinese divisions are not a fair equivalent for the four American divisions whose withdrawal was announced earlier this summer, and for the reduction of Commonwealth and other forces. And even if the Chinese withdrawals were in true proportion to those on the UN side, how could it be verified that they in fact took place? The Swiss and Swedish neutral observers have already described how the Communists have systematically frustrated their efforts to supervise troop movements in accordance with last year's armistice agreement.

It is thus hardly surprising that the South Koreans are clamorous about the coming American withdrawals. But they ought to address their complaints first to Mr Rhee himself, who has personally assured Congress that his troops and those of Chiang Kai-shek are capable not only of repulsing Mao's from Korea but even of capturing Peking. The Peking government hardly seems to share this view; but it remains possible that any Chinese divisions that do, in the event, leave Korea will be found new work in the neighbourhood of the Formosa Straits.

The Candid Chancellor

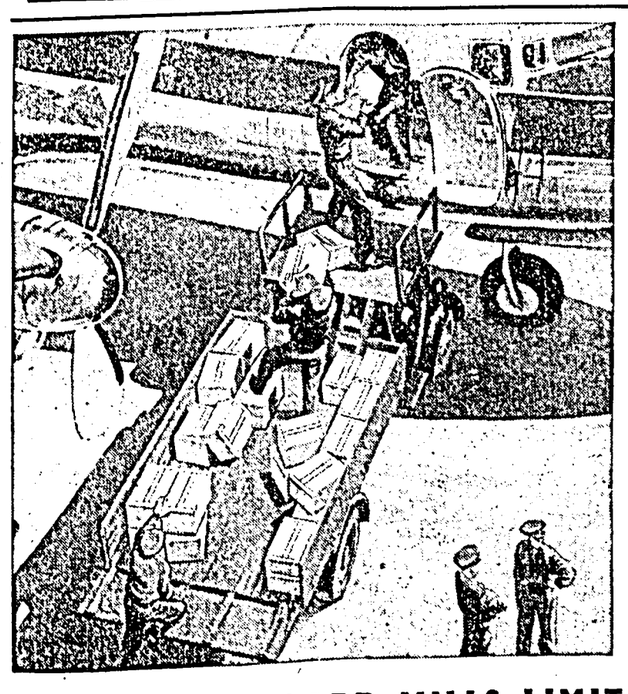
A FRENCH Prime Minister feels it his duty to resent public rebukes from a German Chancellor, whatever the justification for them. M. Mendès-France therefore showed admirable restraint in not reacting officially to the indiscreet remarks made about him last weekend by Dr Adenauer in an interview given to a correspondent of *The Times*. Perhaps the anti-clerical radical in M. Mendès-France sensed the special disappointment that a Catholic conservative must feel at the collapse of the Adenauer-Schuman-De Gasperi structure so painstakingly reared in the last three years. It is time that these two men had the frank talk that eluded them at the Brussels conference. If they cannot trust one another, then the prospects of re-establishing confidence between



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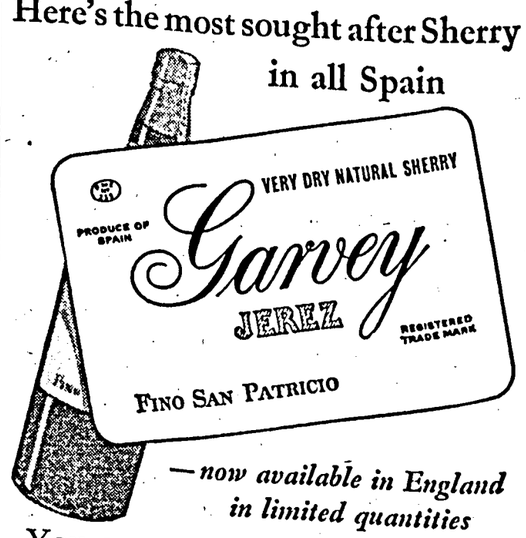
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Paris and Bonn will not be promising, and there is a danger that Dr Adenauer will find himself isolated.

The interview was valuable for revealing the Chancellor's fears of the future. For example, he suspects something more than coincidence in the fact that M. Mendès-France demanded for his country precisely what Mr Molotov demanded of the western powers during the Berlin conference: the break-up of the EDC if Germany should become reunified. It may have been forgotten that Mr Molotov secured from Mr Dulles and Mr Eden in Berlin an assurance that West German membership of EDC would not be binding on a united Germany, even though Dr Adenauer argued hard behind the scenes against such a view. The Chancellor clearly fears more than anything an attempt by the western powers to come to terms with the Russians at Germany's expense; it is not, therefore, surprising that he should read into some of the things M. Mendès-France has said a wish to keep open such possibilities of agreement with Moscow.

Again, it is not easy for a man of Dr Adenauer's convictions to dismiss from his mind the thought that France may think rigidity towards Germany and friendliness towards the Soviet Union will pay better than generosity towards Germany and rigidity towards the Soviet Union. Nor is it easy for him to tell the truth about German nationalism without appearing to threaten the French. What he said should be noted and remembered:

> If Germany is rebuffed by the West and wooed by the East do you not think that the new nationalism will look to the Soviet Union? This is a great danger.

It is indeed; and it is all the greater because the Russians have it in their power to offer—or to seem to offer—lures to German nationalism that the West cannot command. The EDC was one method of meeting this danger while Germany is still divided. If the French do not quickly find an acceptable substitute, they may find a new Germany policy crystallising behind the scenes, with new personalities thinking along the same lines as Bismarck. There are plenty of Germans who believe they are clever enough to "handle" the Russians; and the Russians have shown how cleverly they can handle German nationalism.

Decentralisation Real and Sham

THE Select Committee on Estimates has given a reasonably clean bill of health to the provincial offshoots of Whitehall. "The evidence seems to show," says the committee, "that departments are not maintaining regional organisations without good reason." It believes that the opportunities for economy arising from the ending of controls are being taken, despite any temptation to maintain private empires in being.

Two main classes of department came under consideration. The first are those whose work is necessarily carried on through a widespread system of local offices (the Post Office, the Ministry of Pensions and National Insurance, the National Assistance Board, the Ministry of Labour and National Service). The only question here was the possibility of either amalgamating services or sharing regional-local headquarters, for economy and public convenience. The issue of amalgamation or independence stems from wider questions of policy; the physical coalescence into joint headquarters is being carried out as fast as accommodation permits. The only objection to this policy is, apparently, the encouragement given to the clients of the Ministry of Pensions and National Insurance to turn more readily to National Assistance when the two offices are adjacent. This argument recalls the advice of Victorian architects to place the coal-cellar as far as possible from the kitchen, to encourage the domestic staff to economise fuel.

The second class contains the departments whose regional offices were originally set up as a wartime strategic measure, to forestall the possibility of paralysis by an enemy blow at headquarters in London. These offices have lived on in the controlled and semi-controlled postwar state; and they have become the centres of many controversies. There emerged in evidence all the familiar questions of staff control, compatibility of local initiative with ministerial responsibility, duplication and delay in decision. Local authority representatives argued in several contexts that regional offices should have either more powers or less; they implied that even an unpalatable decision from a local official might be better than the delays and uncertainties imposed by the filtering of all business through a regional "post office." Most of the regional organisations, however, on balance won a good word. The exception was the luckless Ministry of Agriculture, whose complex and overlapping regional organisation came in for almost universal reprobation. The committee, confessing itself baffled, suggests that "the regional activities of the Ministry of Agriculture and Fisheries should be the subject of a special inquiry by the committee of the next Session." The memory of Crichel Down suggests that the Ministry's whole Heath-Robinson structure, whose weaknesses the regional organisation does no more than reflect, should be subject to inquiry too.

The Liberals and Education

THE Liberal Party's Education Advisory Committee has produced a report with unusual virtues. It is challenging without being extravagant. The committee rightly believes that the first need is to reduce the size of classes to a maximum of 30 in both primary and secondary schools. It realises that this cannot be done without some compensating saving in money and teachers, and would achieve this by the sensible though unpopular expedient of raising the age of entry to six.

The committee is on unsure ground when it suggests remedies for the unfairness that can result from the selection of school children into different streams at the age of 11. It would like to see the division between grammar and other schools broken down, not by comprehensive schools, but by tripartite schools built around the same campus—a recommendation that would clearly be practicable in only a few cases. More controversially still, it proposes that there should be fewer grammar school places. As it stands, this argument seems very retrograde; the committee appears to suggest that if the provision of grammar school places cannot be evened out by an increase in those towns where they are scarce, they had better be reduced where they are plentiful,

to a uniform percentage of 10 to 12½ per cent of all school places in the area. The proposal is made a little—but not much—more respectable when backed by the argument that many of those who now go to grammar schools are not capable of taking the General Certificate, and may act as a drag on brighter children ; but its real saving grace is that it can become more possible as the modern schools give greater facilities for taking the General Certificate—and the committee would throw in a leaving certificate to be taken at 14 plus, in order to provide modern school pupils with a target and a qualification. All in all, this is the sort of constructive and controversial report on which the Liberals are wise to concentrate their remaining energies—although they should make it plain that they are not calling for unseemly haste in the contraction of the best schools in the educational system, for the sake of improving those which have yet to prove their worth.

Too Eager Watchdog

THE latest report of the Committee of Public Accounts raises the familiar problem with which this watchdog has long been beset. The committee's primary task is to make sure that the Government is not wasting public money ; when it does this everybody except the Government cheers. The latest report contains the usual useful revelations of individual muddles in contract arrangements, fertiliser subsidies, livestock grading, food office transactions, acquisition of buildings, framing of Health Service estimates and so on. There is a long—though not shockingly long—list of cases in which Homer has nodded and the Treasury winked.

The committee's second task, however, is to protect the public purse against tax evasion and wasteful expenditure of public money by independent bodies ; and when it does this everybody except the Government cries "nosey-parker." Thus the committee is delighted with the results of the Inland Revenue's new power to investigate receipts of bank interest, although the banks consider that this interferes with that trusted relationship with their customers on which good banking rests ; the committee wants a rather similar power to be extended to investigation of fees and royalties paid to private individuals by publishing houses and in the entertainment world. Its most controversial section, however, is another attack on the independence of the University Grants Committee. It regrets that the Comptroller and Auditor-General is still not able to inspect the books of the Universities, to examine how non-recurrent Government grants for specific building works have been spent ; and it now even proposes that he should be allowed to nose around among certain papers and records of proceedings at the UGC itself.

The UGC spends public money, and the motives of this proposal are understandable. But control over the universities has deliberately been hived off on to a non-Government body, for reasons of which most people—whether Conservative or Socialist—approve ; there is no contradiction between the view that an extension of independent scrutiny into the affairs of government is a sign of lively democracy, but that an extension of government scrutiny into the affairs of independent bodies is a sign of spreading bureaucracy. Many of the people best fitted to serve on the UGC would resign from it if the committee's proposal were effected. This project is therefore one from which the public should call their watchdog back.

France Still on the Eve

M. MENDES-FRANCE is once again searching for a European compromise acceptable both to his Western allies and to a parliamentary majority. The rejection of EDC has not lifted this burden from his shoulders. The situation is now somewhat different, but the basic dilemma remains unchanged. The final burial of the EDC gives the French premier more scope for elaborating alternative proposals. On the other hand, the resentment of the defeated partisans of EDC renders the task of reconciliation more difficult than ever. M. Mendès-France will certainly try to avoid at all costs a repetition in London of the Brussels fiasco ; yet in drafting his proposals he must keep in mind the balance of forces in the National Assembly.

The parties are taking advantage of the parliamentary recess to prepare themselves for the new battles. M. Duclos went to Moscow not only to claim his laurels, but to decide the future line with M. Thorez and the Russians. The Communists will undoubtedly oppose any proposal for German rearmament ; will they also abandon the slogan that "Mendès-France is better than Bidault"? The Socialist executive has expelled three important "rebels" from its ranks, yet the divided parliamentary troops could easily be reunited under the banner of "No Wehrmacht." The Christian Democrats have also expelled their "anti-Europeans"—two deputies and a senator—and seem to be in no mood for a compromise.

The difficulty is that any alternative solution would require a flexibility on the part of the former backers of EDC of which there is no sign as yet. If the "Europeans" are determined to carry on a vendetta against a premier whom they consider as the assassin of EDC, then the Communists will keep their veto on the foreign policy of the Fourth Republic. In reshuffling his cabinet, M. Mendès-France has made it plain that he still strives after a compromise. He has little time left to cool passions and to produce a formula that will reconcile the nationalists with the champions of "supranationality."

Tunny Trouble

OUR drab world owes a debt of gratitude to Mr Onassis, the fabulous Greek shipping magnate. Once more he is proving that the race of the merchant prince and venturer is not extinct. Rushing in where even the Norwegian government has feared to tread, Mr Onassis is sending a fishing armada into the Pacific to challenge Peru's claims over waters 200 miles off its coasts. The Onassis squadron, which includes one of the world's most modern factory ships, and some twenty catchers, will, it seems, be armed. If the Peruvians intend to enforce their claim to monopoly of the tunny catch in these waters, they may have to send out their two light cruisers—launched in 1906 and reboilered in 1934—and the six gunboats waiting at La Punta.

Some kind of brush may take place between now and the December whaling season. The possible consequences could be an international lawyer's delight. Mr Onassis is an Argentine citizen working from headquarters in Monaco and Paris, and his ships fly the Panamanian flag. For their part, the Peruvians can justly claim that their annual catch of over 110,000 tons is important to their economy, but to insist on sole rights over waters 200 miles from land is carrying offshore nationalism rather far even in these days when proclamations about the continental shelf are commonplace. The men of law may have to turn back as far as the case of an earlier "Don Pacifico" to find comparable [illegible] of complexity and bellicosity.

New York and Tel Aviv

ISRAEL is taking a tougher line towards the Arabs and the West—and it is election year in New York State. These two facts are related, but foreign observers often forget just how closely. New York's 96 electoral votes can carry the nation and, although the President's fate is not at stake this year, a Democratic victory in New York would be the writing on the wall for 1956. Moreover, it is a basic fact in American politics that New York cannot be won against the Jewish vote. In New York City alone, there are some 2,150,000 Jewish people and they go to the polls with an intense awareness of international issues.

Israel has always known how to bring into play its great hinterland across the Atlantic. The generosity of the New York Jew towards Israel is massive and straightforward, although his motives are complex. He may feel he is part of a world community which must assist its youngest and most active member. He may feel that the achievements and strength of Israel are an answer to people who look down on him at home. Finally, there are some American Jews, of a gloomier cast of mind, who see in Israel an ultimate place of refuge for their own children at some time of tribulation in the future. Whatever his motives, the Jewish voter will examine the party record on Israel and see to it that expressions of support for Zionism are written into both party platforms. In non-election years such declarations may be allowed to lapse. This year it would be political suicide for either Republicans or Democrats to disregard them.

Israel knows this, and it knows that the State Department's permission to export arms to Egypt and other Arab States has already counted against the Republicans. It knows, moreover, that if it comes to a show-down against the Arabs, money and guns will be forthcoming from the United States whatever the strong words spoken this week in the State Department. This was true in 1947, when President Truman used the fact to political advantage, and it is as true today. The Arabs have to bear this in mind as they meet in Jerusalem to discuss the Israel problem and to assess the future of American policies in the Middle East.

Finance of Flag Days

IT might have been expected that the welfare state would kill flag days. But the technique, stern or beguiling, of the ladies with trays of reproachful little emblems is still remarkably effective in stopping the morning rush to work to beg pennies for charity. Pennies, however, they still are ; people do not seem to have adapted their contributions to the fall in the value of money. In 1953, according to the annual report of the Committee on Street Collections, some £309,000 was collected in the London area—only £18,000 more than in 1939. This was rather less than in 1952, when the total was £312,000, but it was above the figure for every other postwar year. Contributions to flag days reached their peak in 1943, when £634,000 was collected in London ; they fell very sharply after the war.

The charity that traditionally provokes the most generous response on flag days is Earl Haig's British Legion Appeal Fund—selling Flanders poppies—which raised £101,000 in London, or nearly a third of the total sum contributed, in 1953. Next came Princess Elizabeth Day (child welfare) with £54,000 collected on two flag days, and Alexandra Day (for the hospitals and old people's homes). It is not true that the British will contribute more for animals than for distressed children ; it is true that they will contribute more for animals than for blind people. "Joint Animals Day" produced £20,000 from Londoners in 1953, nearly three times as much as in 1939. No other charitable cause could boast such a large increase—but that was a logical result, perhaps, of the exclusion of animals from the welfare state.

The committee—which examines applications to hold flag days, co-ordinates similar charities into groups, and advises the Commissioner of Police about the issue of permits—has attracted some attention this year by an expression of its concern at the higher level of expenses. This now averages 14.3 per cent, compared with 11-12 per cent before the war ; and an application by one charity to hold a flag day in 1954 (it has not been revealed which) has been refused because of consistently high expenses. Some increase, however, has been inevitable as the higher cost of emblems has not been matched by a proportionate increase in receipts. It is right that a watch should be kept on all this button-holing ; but it is also right to emphasise that any organisation that is allowed on to the streets of London will have shown that it is above suspicion as a ramp.

Any Room for a Little 'Un?

WHEN disaster overtook the attempt of the *Recorder* to carve out *lebensraum* in Fleet Street for a new daily, the moral might have been drawn that journalistic *lebensraum* in general was filled up. The *Daily Mirror*, the *Daily Express*, and the *Daily Sketch*, however, have all, in a simultaneous spirit of emulation, decided to spurn this pusillanimously Malthusian conclusion. Within a few days of one another they have brought forth young, junior

editions, aimed at an age group even younger mentally than their normal public, and designed both to entertain and edify the rising generation and to raise a crop of lifelong readers for the senior organs.

There have, of course, been children's papers before—newspapers, that is, by contrast with comics. The classic example is Arthur Mee's *Children's Newspaper*, which from the first set out to provide its young readers with an account of current events at home and abroad, couched in language that they could understand—a venture in civic education as well as in entertainment. The new juniors have a perfectly legitimate but quite different slant. Their news items are selective: they are not only for children, but about children, and about those current events in which most children take a spontaneous interest—sports, aviation, incidents concerning animals, and the like. (The *Junior Sketch* does, it is true, provide a small box in which, at the rate of 200 words a week, the parent paper's "Candidus" explains the news; in the first issue, EDC. One's heart bleeds for him.)

However deplorable to the serious-minded may be this unconcern with civic education, these early issues at all events give the impression that the editorial staffs concerned impute considerably more taste, intelligence, and generosity to their junior than to their adult readers. It is perhaps typical that the *Junior Mirror* should serialise a Biggles story, while the *Junior Express* enlists Mr C. S. Forester and the *Junior Sketch* boils down the Crile underwater saga; it is certainly typical that the *Junior Express* should incite its readers to rebellion against authority, in the shape of the X certificate barring them from the horrific science-fiction film "Them." This impishness has won a stern rebuke from the (adult) *Mirror*; a rebuke which rouses faint hopes of coming entertainment. The maxim that dog does not eat dog may be, on the whole, a useful one. But the amending reservation that dog may uninhibitedly eat pup would certainly add to the gaiety of Fleet Street.

Leipzig Overture

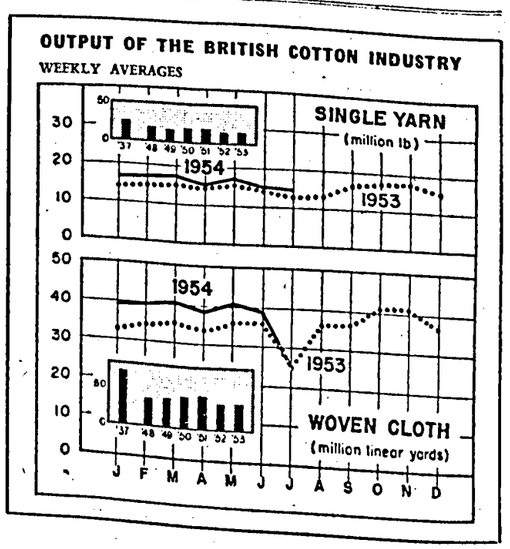
By all accounts the Leipzig Fair is bigger and better this year. Many western exhibitors are numbered among the eight thousand whose goods are on display. Visitors have noted a new theme on the Communist stands this year: the emphasis is more on the consumer. Only the more backward satellites like Bulgaria now exclusively show the products of heavy industry. But whether the East Germans who throng the showgrounds fingering the products of Moscow, Prague, and Peking are moved more by envy than by pride is a moot point. The show is, however, not for them; it is primarily a piece of Communist window-dressing for the edification of visitors from the west.

How trade fits into Molotov's grand strategy was expounded at length by the East German prime minister, Herr Grotewohl, when, to the dying strains of Wagner's Rienzi overture, he declared the Fair open. Reminding his audience of the Soviet Note to the western powers of July 24th, which added economic co-operation to the Soviet plan for European security, Grotewohl went on to fill in the details of multilateral trade and payments pacts which "would considerably strengthen the effectiveness of political safeguards" and "would enable the Germans to halt the remilitarisation of Western Germany." The idea of multilateral trade and payments agreements is not new. It has been raised several times by the Communist bloc at recent meetings of the Economic Commission for Europe. A payments union between Eastern and Western Europe would undoubtedly be a convenience to the Communists, but on past showing it would in effect become a one-way channel of credits from west to east.

East-West trade is the central theme of this year's Fair. To get it off to a flying start the East German government has made known its hopes for the future, which appear somewhat ambitious. Herr Grotewohl announced a target of $250 million worth of imports from Western Europe, an increase of 150 per cent over the past year's level, and spoke of sending trade missions to Latin America as well as to Near and Far Eastern countries. But most of the Communist exhibits at Leipzig were evidence of progress towards autarchy rather than of practical salesmanship. Machines from China or Rumania may be an impressive sight, but it is hard to visualise it selling like hot cakes in the non-Communist world—even if the Communist states manage to bring down their prices to world levels.

Journey to the Interior

The news that the Governor of Aden has been invited to visit the Imam of Yemen for personal discussions of outstanding problems is good news in itself. Relations between this Arab state and the neighbouring British protectorate have been thoroughly disappointing of late. In 1951 the Anglo-Yemeni exchange of letters, pointing to an amicable definition of frontiers, indicated an early end to years of unrest among the border tribesmen. But no sooner had a British chargé d'affaires hopefully established himself at Ta'izz than the crimes of the Sultan of Lahej, and his subsequent flight across the frontier, led to fresh Yemeni



claims and protests. And in 1953 rebellious Subaihi tribesmen crossed into Yemen territory, were welcomed and supported there, and proceeded to raid their own homes. This was followed by fresh attacks, encouraged by the distribution of Yemeni blandishments and money to Aden tribesmen. The incursions were supported or led by regular Yemeni troops, and distorted and recriminatory versions of them, published by the Imam, were conveyed to the Arab League.

The Governor of Aden's announcement last December that the nine sultanates of the Western Protectorate were to "federate" by their own wish led to new disorders, and to the despatch to Yemen and the protectorate of an Arab League mission of inquiry (which received from the Arab potentates of Aden by no means the answers it expected). More serious frontier violations have since taken place, accompanied by the usual accusations and rejoinders and by more Arab League head-shaking. If Sir Tom Hickinbotham's projected journey to the interior brings about any easing of the anarchic situation, this will be sincerely welcomed on the British side.

The long and sad record of Anglo-Yemeni negotiation since 1913, however, discourages optimism. The primitive and truculent statecraft practised by the present ruler, who has inherited from his father a resolute claim to the whole of the Aden Protectorate, and who needs to impress and inspire followers over whom his control is slight, is reinforced by a natural fear of the appearance on his southern borders of a united and progressive territory which must excite invidious comparisons. Moreover, the Imam's more sophisticated advisers and Arab League backers claim that the *status quo* confirmed in the treaty of 1934 precludes federation in the protectorate. All these factors combine to reduce the chances of reaching any stable agreement, or even a better, if precarious, co-existence.

Explaining the Americans

It is exceedingly difficult to speak of the great American Republic without doing its citizens unintentional injustice. Its rulers, its leaders, its spokesmen, are so directly elected and so frequently re-elected by the people; they derive their authority so immediately from the great mass of the population . . . they are so swayed by its passions and so susceptible to its changes of opinion . . . that we seem peculiarly entitled in their case to hold THE NATION responsible for the proceedings of its Government, the acts of its officials, and the language of its diplomatists. . . . Now, we have no doubt that men of gentlemanly feeling, of deep sense of decorum, of a clear perception of what is due to others, abound in America as well as here. The difference between us, and the misfortune of our cousins, are these—that such men do not at the other side of the Atlantic either elect the Government, or give the tone to the nation, or guide the language of the Press. It is not that they do not exist, but that they do not rule. With us, the educated and the upper classes have the power in their own hands. . . . In the United States, it is the mass who govern; it is they who dictate what shall be done and said; it is they who elect the Government, and whom the Government must serve; in fine, it is they who have to be *acted down to* and *written down to*. This is a grievous evil, a great embarrassment, and a sad discredit; but it must not blind us to the fact of a better and nobler order of citizens remaining overpowered indeed, but neither silent nor inactive, in the background; it must not prevent us from refusing, as often as we are permitted, to judge the nation by its *official* organs. In all likelihood, if the paramount power in England ever fell into the hands of the working classes, and the less cultivated of the trading classes, and the least scrupulous of legal and political adventurers, who now only *share* it . . . we might have nearly as much violence, folly, and discourtesy to blush for and to blame.

The Economist
September 9, 1854

Scientists on Show

Scientific discoveries are no longer announced at the meetings of the British Association for the Advancement of Science; the best papers delivered there are follow-throughs from research work that has already appeared at greater length in learned journals, while the worst represent excursions by physicists and others into the field of economics (especially the economics of under-developed areas) where their ignorance sometimes dumbfounds. Before a visible audience in which schoolboys play an increasingly larger part, and before an invisible audience with which the press and the BBC serve as connecting links, the British Association has now added to its main function of keeping scientists in different branches abreast of each other's work; for better or worse, it has become a vehicle for putting science itself on show.

So much the better for the layman, for whom the Association's meetings, divided into 13 sections and lavishly reported, always provide plenty of often unnerving titbits. At the meeting that took place at Oxford this week and last, Professor Adrian, the President, said that while the earth might weather a few hundred atom bombs, a prolonged war could render it uninhabitable because of radio-activity. But if humanity escapes the bombs it should, in the opinion of Sir John Cockcroft, have an unlimited source of power; there is enough uranium to provide the world with power for a thousand years, and by that time he was sure that "the energy of fusion of the light elements will also be turned from destructive to peaceful purposes." The other great threat to humanity, that of starvation, did not worry Professor Pearsall, who saw great possibilities of increased food production, not only through conventional methods, but also through higher yields of leaf protein, and ultimately through industrial photosynthesis.

Dr A. P. Meiklejohn, with his eye on the present, called attention to the danger, not of starvation, but of obesity.

> If you are middle aged and 10 lb or more overweight your chances of dying are much greater than your chances of getting cancer of the lung if you are a smoker.

The worst of it is, there may be no escape. Dr J. M. Tanner suspected that the endomorph (the scientific name for the plump) was born with more fat cells than others, in which case only a small increase of fat in these cells would make the poor endomorph gross. Small consolation that in his childhood, according to Dr Parnell and Miss Davidson, the endomorph was more confident and socially adaptable and less anxious than the thin child. Amid all these anxieties it is good to learn that thumb sucking is a pleasant and harmless way of passing the time, and a great deal less toxic than smoking a pipe.

Letters to the Editor

A Vote for Paralysis

SIR—For four years France has compromised the whole western cause in refusing to take sides squarely against the Soviet Union by accepting Federal Germany as a partner. As you have consistently demonstrated, Dr Adenauer and his colleagues are the West's best German friends, and it is a tragedy that French appreciation of their political value has lost the day to a blend of ostrich-nationalism and anti-Vatican prejudice. You are, however, surely quite unjust in blaming M. Mendès-France for his role at Brussels and in the *Assemblée Nationale*. How else could the French Prime Minister have dealt with a treaty in whose preparation he had no hand and which half of his own government did not support? Nor, contrary to your suggestion, is there any evidence that M. Mendès-France will shirk his responsibility to push an alternative plan for German rearmament through parliament. To assume in London in advance that the most promising French Prime Minister for years is just another crypto-neutralist is as dangerous to the western camp as the French belief that Dr Adenauer represents nothing permanent in Germany.

As you maintain, Germany in a strengthened Nato is the sole remaining possibility. But you are silent about the European philosophy of this new Nato. France must indeed be asked to accept immediate German rearmament. Germany, however, must also be asked to declare in company with the whole alliance that she renounces force as a method of frontier-revision in Central Europe. Only in this manner will Germany regain the moral status of a great country; France finally be led to disapprove of Communist terrorism in Dresden, Warsaw and Prague, and Nato settle down united in one purpose: to bring about the retreat of European Communism by proving its backwardness and hopeless sterility.—Yours faithfully, CHARLES JANSON

Brora, Scotland

Malaya's Rice

SIR—May I draw attention to a number of important omissions and mis-statements of fact in the article on "Malaya's Rice" in your edition of August 28th. You say "the Government . . . has a monopoly (of rice) but tolerates a small free market." This is incorrect. The Federation now grows more than 50 per cent of its rice requirements, and the grower is free to dispose of this as he likes (except to the terrorists of course). In addition there have usually been substantial quantities of "free" rice imported under licence, so that Government sales of rice have been between 30 and 40 per cent of the rice moving into consumption. Thus in fact the "free market" has been accounting for between three-fifths and two-thirds of total consumption.

The real questions facing the Federation Government are, first whether to keep a guaranteed minimum price for the local grower; second, whether to continue to hold a reserve stock; and third, when and how it should return the import trade in rice *entirely* to private hands. Your article does not mention the first, although (unless the Government is to face unlimited subsidies) it must have obvious implications for import policy at a time of falling external prices for rice; the other two problems are criticised rather than discussed from both points of view. Thus you dismiss the reserve stock because it "could only postpone crisis by a matter of months." But these months (and they would probably be more than your article would imply) would be the critical ones, and would give the Government time to (i) organise control of the local crop and rope it into the rationing scheme and (ii) seek outside aid in the form of rice from more distant sources of supply, perhaps even the restoration of IEFC.

You say that the rice position "has steadily improved" since the winding up of IEFC in 1949. The facts are that it got steadily worse from 1950 to 1952—from a consumer's angle—with prices reaching fantastic levels. All the principal Asian countries were scrambling to buy rice on government-to-government contracts, and what was left over both in South East Asia and in other parts of the world fetched even higher prices still. Since the Federation's imports account for less than one-tenth of the world's export surplus, the abstention of the Federation Government from these official contracts could not have broken the sellers' market; it would merely have left its merchants (and consumers) to pay through the nose.

I am also puzzled by your reference to "the cost of special fees and licences to say nothing of a touch of corruption." The free market is largely the local crop, which is hardly subject to control and, for the rest, there are no licence or special fees for imports of any significance. As for corruption, there was an Integrity Commission in active session that would have welcomed any information you or anyone else could give them.

Your endorsement, admittedly rather half-heartedly, of the argument that the Government sticks to rice because "the officials would lose their jobs" reads a little oddly in face of the Government's withdrawal from sugar, and substantial reductions in the staff and Budget of the Supplies Department which have already taken place this year.

Finally it sems to me remarkable that your article nowhere mentions the practice of the governments of the other Asian countries which are traditional importers of rice. If it did, it would have to point out that they have all bought on government-to-government contracts too, and that some of them (Ceylon, Japan, Indonesia and India) have contracts which run ahead till 1956 or later—a policy which the Federation has never adopted.

One outstanding factor in the improvement in the rice situation since 1953 has been the disappearance of India as a major importer. In 1953 production of the principal *import* countries jumped by over 4 million tons, compared with 1951-52, and this India accounted for about 3 million. This helps to bring into perspective the surplus of 1½ million; it is only about 1 per cent of Asia's output. It is to be hoped that it does not prove to be a passing surplus as well as a marginal one.—Yours faithfully,

O. A. SPENCER

(Member for Economic Affairs, Federation of Malaya)

Lymington

Ripples Around Cyprus

SIR—I am afraid that the brevity of your references to my detailed explanations on the Cyprus question may convey to your readers an inaccurate idea, at least, of what I said. Thus the need for some elaboration of the statements attributed to me in two Notes of the Week appearing in the current issue of *The Economist* under the titles "Ripples Around Cyprus" and "Worries of the Greeks":

In mentioning that "30 per cent of the Cyprus population is Communist led" I only cited the figures given by the British colonial administration. Personally I could neither question nor "acknowledge" the accuracy of this figure, for we have no access to statistics in Cyprus. If I mentioned that figure it was only for purposes of comparison with Communist strength in Greece, where Communist votes represent only 9 per cent of the total electorate. This simple comparison was to bear out my contention that, as in many other parts of the world, colonial regimes have proven a thriving ground for Communism.

Now, in a recent issue of *The Economist* your Correspondent from Cyprus estimated that die-hard Communists in the island do not exceed a few thousand. This and other evidence testify to the fact that the main body of the Communist following in Cyprus is constituted of disillusioned "Enotists" who look to the strong hand of Communism for the realisation of their national aspiration.

It is true that I spoke of the granting of a liberal constitution as a possible approach to the Cyprus question. I hastened, however, to add that by a liberal constitution I meant a constitution freely accepted by the Cypriots, guaranteeing human rights and fundamental freedoms—prominent among which is the right of self-determination.—Yours faithfully,

CHRISTIAN X. PALAMAS,

Permanent Representative of Greece United Nations, New York

Room for Japan

SIR—In your article of September 4th you state that in the Japanese economy there are signs of impending crisis which have stirred Washington and Mr Dulles into action foreshadowing exceptional measures to help the Japanese ride out the storm. In fact, the first approach of Mr Dulles to this matter appears to be [illegible] statement that Japan cannot expect [illegible]crease her exports to America.

[illegible] only speak as far as the textile [illegible]oes, but the American approach [illegible]Japanese problem started with [illegible]ding up in the spinning end of [illegible] spindles from 1.3 million to 8.5 [illegible] of the latest type of American [illegible]nery, far more modern than the [illegible]age Lancashire machinery. America [illegible]en created a demand for her cotton by loaning Japan money to purchase it, and recently the Administration has approved a further five-year loan to enable Japan to keep up the demand *and* the price. America took only 34 million yards of the fabric Japan produced last year against the 590 million yards of Japanese cloth which we took into our Empire markets. We ourselves only exported 518 million yards. Japan is already exporting at the rate of 1,200 million yards a year and has ousted Lancashire from her own traditional markets, not only in the Empire but outside, for instance in Indonesia. The policy of restricting Japan from trading in China has caused the Chinese to build up their own textile industry which, like that of India, will no doubt be competing in world markets when it has provided the requirements of its own domestic market.

I recently had an interview with one of the leading Japanese trade representatives, who admitted that 95 per cent of the Japanese were "neutral" in the East-West conflict, that any help we gave to her would influence only a slight minority, and that if and when it suited them to turn to the East, they would do so. Why then should we damage ourselves industrially and economically? We have built up an industry in which decent wages and conditions exist. We are not subsidised by the Government, and when we export it has to be on the basis of raw material plus labour costs. Not so Japan; her industry is so intimately connected with the Government that provided she gets access to markets, she can manœuvre prices any way.

We have a duty to our people in Lancashire, and already there is short-time working in some sections of the industry.—Yours faithfully,

CYRIL LORD

London, W.1

Books & Publications

Genius of the Mass Market

FORD: *The Times, the Man, the Company.*
By Allan Nevins.
Charles Scribner. 704 pages. 45s.

"HISTORY," said Henry Ford, "is all bunk." Yet if there is any one person in this century who is likely to be judged to have altered the balance between the individual efforts of outstanding men and the massive social and economic forces which play the greater part in history, it was Henry Ford himself.

Henry Ford had less understanding of the way of the world than most in relation to matters unconnected with the automobile; but in his own field he had unequalled range of vision into the future. He saw better than any, and indeed often in contradiction of the views of most of his contemporaries, including many of his principal associates, four aspects of the automobile. He saw the sort of automobile that his times required, a vehicle simple in conception and in operation, robust and above all light. He saw the manufacturing methods by which such a vehicle could be made most cheaply—fundamentally nothing more nor less than the modern methods of mass production. He saw the enormous demand which could be revealed for such a means of transportation at the price which low cost production made possible. He saw the high level of wages which could be earned by the men working on such production, without prejudice to a low selling price and with advantage to the creation of a mass market for automobiles and similar products.

In this latest and most comprehensive study of the subject, the reader is not given an adequate or a just representation of the man, his methods or his achievements. This book embodies the results of a formidable mountain of research, both in the public records of every sort and in the archives of the Ford Motor Company; it gives a full and interesting picture of the mid-Western scene into which Henry Ford was born, and voluminous information about the *minutiae* of his life. But it gives little more of an impression of the qualities which distinguished Henry Ford from other men than Peter Breughel's picture of the Fall of Icarus gives of that unfortunate innovator—whose legs can just be discerned in the centre of the picture as he disappears beneath the waves. To write a vivid biography, it is not enough to have a comprehensive historian's view of the times of its hero—as Mr Nevins has; it is necessary also to be aflame with enthusiasm either for the hero himself or for the objects which fired him to enthusiasm—and no such passion has inspired Mr Nevins.

The embodiment of Henry Ford's success was of course the great model T. It dominated the world's motor-car markets in a way that no single vehicle has since approached, and indeed at its peak, with a production of more than 2 million units in each of the years 1923, 1924 and 1925, reached a figure which no other model has since attained; while the total number of units of model T—over 15 million—seems likely to stand as an automobile record for all time. Yet Mr Nevins's book, though it tells quite a lot, *obiter*, about the characteristics of the model T, does not include any sort of clear account, specification or appreciation of it.

As a measure of the achievement of the model T, it is worth quoting from a road test made two years ago by *The Motor*, that, though its top speed at 42 mph was only half that of the typical standard American car of 1954, it could accelerate from 10-30 mph in top gear in 12.8 secs, a figure within a second of that recorded by such cars as a Hillman Minx, Morris Oxford, or Vauxhall Wyvern. It could climb on top gear a gradient of 1 in 11.1, in which it matches a Mercedes Benz 300, an Alfa Romeo 1900, or a Ford Consul. The most important factor in achieving such results was the saving of weight. The model T saloon weighed—according to the same report by *The Motor*—only 13¾ cwt, in comparison with the weight, for example, of the current Morris Minor of 16 cwt or the Hillman Minx of 18¼ cwt.

It cannot be said that Henry Ford made any outstanding technical innovation in the design of automobiles; but in the methods of production he was outstanding both in using the most advanced techniques developed elsewhere and in devising new techniques. Mr Nevins's book does not relate the history of the arts of engineering production—which, as a background, would, surely, have been more relevant to an assessment of Mr Ford's contribution than the history he gives of the development of internal combustion engines. Incidentally, although neither the title of this book nor its title page and preface suggests that it only covers part of Henry Ford's life, its tale comes to an end in 1918.

Mr Nevins does much greater justice to Ford's commercial vision than to his technical and production achievements. He gives a full account of the struggle

between Ford and his earliest and principal financial backer Malcolmson. Malcolmson saw the automobile as a product to be sold to the wealthier part of the public, at prices yielding profits appropriate for luxury goods; in this he was in accord with the generally accepted view in the trade, and with the view of others who were closely in touch with Henry Ford. Ford, however, while he was ready to meet a market demand for an expensive product, was all the time insistent on the overshadowing importance of the low-price mass market. The rather scrappy financial statistics contained in this book show that at times the Ford Company, while consistently selling at a price which gave better value for money than its competitors, and led to an ever-broadening market, was at times operating on a ratio of net profit to sales far beyond the dreams of any modern mass producer of motor cars.

The Booming of Brighton

BRIGHTON: OLD OCEAN'S BAUBLE.
By Edmund W. Gilbert.
Methuen. 291 pages. 25s.

THIS is not quite the book the reader might expect. Most writers about Brighton deal with its development as a fashionable health resort and find in the Regency period the apex of their narrative. Mr Gilbert takes a much broader scope. His aim is to show "why a small fishing town has become one of the largest urban areas in England." His history covers the two centuries from 1750 to 1950 and his strongest interest is in Victorian Brighton, whose social life he considers to be as interesting and more varied than that of the Regency period.

The first few chapters deal with the growth of the holiday industry in England and with the place of Brighton in relation to other leading resorts. It was in the early Victorian period that the seaside towns snatched supremacy from the inland spas, and that Brighton equalled or surpassed Bath as the most fashionable resort. Its fashionable heyday, however, was over soon after the middle of the century for the same reasons which brought about its most rapid period of growth. The three successive transport revolutions—first the coaching era, then the railway age, finally the advent of the car and motor coach—had a special impact on the south coast town which is closest to the metropolis.

Mr Gilbert gives an interesting account of these transport developments. Before 1800, the journey from London to Brighton took one to two days; in the 1830s frequent coaches covered the journey in about five hours (not infrequently killing passengers in the search for speed records); by the 1850s fast trains achieved times of 80-90 minutes. These were boom years for Brighton. So buoyant was Victorian enterprise that a company was actually promoted to build a rival railway line between new stations near the Brighton Pavilion and Ludgate Hill, although the venture failed.

These developments brought new classes of passengers to the seaside. Even in the coaching era some London business men were resident in Brighton, and by the middle of the century the daily departure of the "stockbrokers' special" ushered in the modern habit of long-distance commuting. The second class was the day excursionist. As early as 1860, 36 trains brought thousands of cockneys to Brighton every Sunday for a return fare of 3s. 6d. each. It was a performance which British Railways ought to view with envy. One result was to push the Brighton "season" to later and later in the year; eventually it settled in the eight weeks before Christmas. Doctors were emphatic that after Christmas Brighton became unhealthy.

The problems of modern Brighton spring from these developments. Shall it cater for the day-tripper (who is said to like continuous entertainment and fun-fairs) or the visitors and residents (who mostly do not)? Shall it stick to its traditional functions or seek to attract more industry (industrial employment now substantially exceeds that in hotel and catering)? These are questions which Mr Gilbert raises without, unfortunately, dealing with them adequately.

Brighton is still an attractive town. As Mr Gilbert shows, it performs today a variety of functions—holiday resort, regional centre for a large area, dormitory town (nearly 4,000 travel daily to London), resting place for the aged, industrial town. The wonder is that the population has not grown faster—that the Brighton area has not become a sort of English Los Angeles. As it is, the population has spread over a large area of downland and is destroying the town's fine natural setting. The architectural beauty of Kemp Town has been spoilt by raucous amusements. There is a strong case for putting a halt to further growth so that Brighton can remain worth writing about; but this point Mr Gilbert discreetly avoids.

Planner Manqué

SIR WILLIAM PETTY.
By E. Strauss.
Bodley Head. 260 pages. 25s.

FEW men can have been so v
and talented as Sir Williar
Beginning as a cabin-boy with
of one shilling, he financed
education. He had a flair fo
matics but studied medicine.
he became secretary to Hobbe
member of the most advanced sci
circle of the day. But it was the re
struction following the Civil War that
gave him his opportunities. He became Professor of Anatomy at Oxford but, securing leave of absence, went to Ireland as physician to the army. Here Petty showed his unusual qualities as a man of scientific training with practical ability and an acute business sense. His direction of the survey of Irish tenures, an essential preliminary to the redistribution of land by the conquerors, revealed his administrative powers. Entering the land-market himself, he bought up debentures at cut rates and emerged as one of the biggest landowners in Ireland. He successfully negotiated the political hazards of the Restoration, was knighted by Charles II and married well. He was a foundation member of the Royal Society, an inventor and the exponent of the new science of political arithmetic. And he delighted in his fortune. "When," wrote Evelyn, "I have been in his new palace, he would himself be in admiration how he arrived at it."

Yet Petty was dissatisfied and talked of being "industriously opprest and suppresst." His Irish experiences had given him a taste for administration and power, while he shared the current optimistic creed that science and mathematics would provide the keys to political knowledge and power. Number, weight and measure could establish the relations between prosperity, population and taxation. Petty was a planner *manqué*, and Mr Strauss is concerned to discover why. He is also concerned with what he considers the ambivalence in Petty's character, in that Petty could simultaneously be a planner projecting social reform and a "gold-digger." Mr Strauss disapproves of Petty's "entanglement with material interests," but admires him as a planner; and he explains Petty's failure to obtain official

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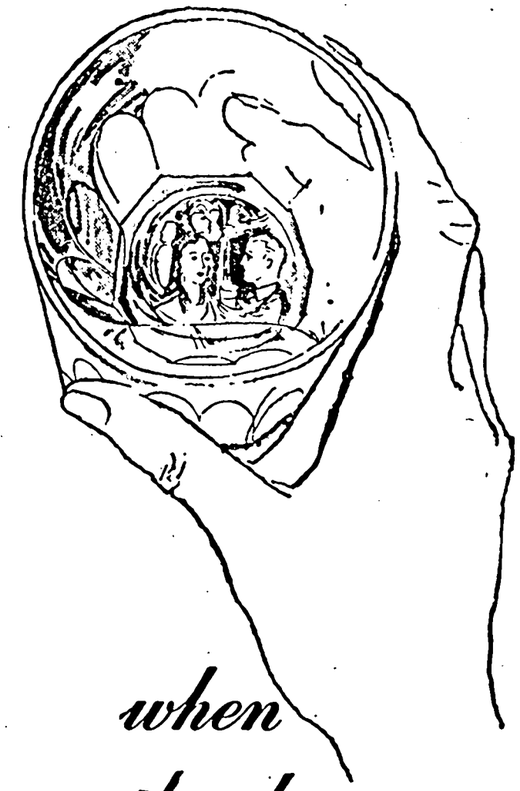
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The Professor of Milan*

THE PROFESSOR went swimming off Capri and he swam wearing his wrist-watch. It was waterproof—perfectly safe to swim with.

But then—calamity! The strap buckle was loose, and it came undone. Vainly the professor tried to save his watch; sadly he saw it twinkle and disappear into the green depths of the sea. And he returned to shore convinced that his watch was gone for ever.

But back on shore, he remembered the divers. They were working on sunken ships close to where he had been swimming. He asked them to keep an eye open for his watch.

The next time they dived, a week later, they remembered that request, and looked around for the watch. And—yes, they found it, and brought it gingerly to the surface.

And when on dry land they examined it they gazed at it with stupefaction. For that watch that had lain on the sea bed a whole week was still keeping perfect time.

Incredible? Not at all. The watch was a Rolex Oyster Perpetual. The waterproof Oyster case had protected the movement from salt water and the clinging, insidious sand, and the Rolex Perpetual self-winding mechanism had kept it wound. The Rolex Rotor, the secret of the success of the Perpetual, does not work on the "jerk" principle. A complete semi-circle of metal, rotating on an axis, it turns and spins at the slightest movement. And in this case, it was the gentle tug of the waves that actuated it!

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★ This is a true story, taken from a letter written by the professor concerned (Professor Cutolo of Milan University) to the Rolex Watch Company. The original letter can be inspected at the offices of the Rolex Watch Company, 18 Rue du Marché, Geneva, Switzerland.



"They found it and brought it gingerly to the surface. And when on dry land they examined it they gazed at it with stupefaction."



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employment after 1660 as a result of his being "the intellectual and political heir of the Commonwealth." Since, however, Petty planned among other things the deportation of a million Irish and the conversion of Ireland into a cattle ranch, besides advocating identity cards, it is possible to understand the attitude of Charles II.

Mr Strauss's account of Petty's career and ideas is careful and sometimes shrewd, but he sets these against an oversimplified and distorted background. He believes that the revolution of 1640 was the work of the rising middle-class and traces an affinity between Petty's views and those of the extreme radicals. He considers that the Puritan Revolution gave Petty "a vision of distant shores." This underestimates both Petty's worldly ambition and the influence upon him of Hobbes and the scientific movement. ...tty's nineteenth century biographer, ...maurice, had a clearer view of the ...ctual background of Petty's ideas ...his book, which incorporates more ...tty's own writings, still remains ...st study.

Dead But Not Gone

THE LATIN LANGUAGE.
By L. R. Palmer.
Faber. 380 pages. 45s.

THE Professor of Comparative Philology at Oxford is already well known as a Classic and as a comparatist. He has to his credit many learned papers and two notable works, "An Introduction to Modern Linguistics" and "A Grammar of the Post-Ptolemaic Papyri," which indicate the kind of philologist he is: austere, scholarly, dependable and extremely erudite. All these qualities are present, to a high degree, in "The Latin Language," the latest work in the publishers' important series, "The Great Languages of the World."

Although the present book is less generally readable than the volumes on French and German, it is no less solidly informative and instructive. Oddly enough, Mr Palmer is at his best when dealing with the most difficult and complex aspects of the subject: the relationship of Latin to the other Indo-European languages and the "prehistory" of the language—Etruscan, Oscan, Umbrian and so forth. He might perhaps have emphasised the point that Greek stood to Latin in almost the same position as Greek and Latin occupy in relation to English: the predominant source of the vocabulary of polite learning and philosophy, of science and technics, and also of much that is subtle and profound in the modes of thinking and in stylistics. He has failed to note how important is the Egyptian element, whether in Roman civilisation or in the lexical aspect of the language. And he says far too little about the problems of Latin etymology and rather too little about the mainly subterranean yet potent influence of Celtic.

In the more formal departments of his subject, however, Mr Palmer has done a fine piece of work, invaluable to students and useful, often suggestive, to Classical and comparative philologists.

Studies of Cultures

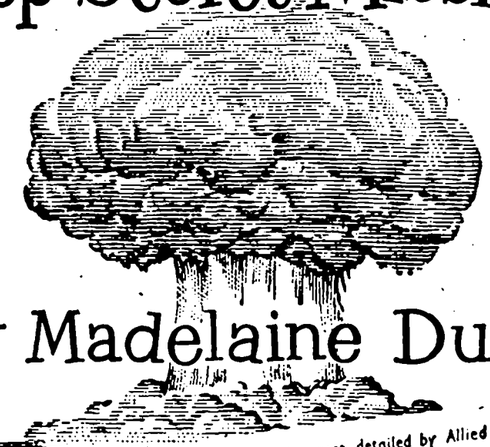
INTERRELATIONS OF CULTURES.
Unesco.
Her Majesty's Stationery Office. 387 pages. 14s. 6d.

THIS is not really a book about the effect of cultures on one another at all. The three essays on India, for example, have hardly a word on the changes caused in the Hindu outlook by Muslim invasions and British rule; only in the Spanish-American chapters is there a discussion on the interplay between the imported culture of Spain and the indigenous habits and beliefs of the Indians. Nor is this in any sense a complete book. There is nothing on the culture either of Islam or of Europe and only a few notes on North America.

This book is, in fact, a collection of essays on the cultures of Spain and Spanish America, India, China, Japan and the West African Negroes; and China and Japan are only represented by an essay apiece. But within these rather narrow limits, it is a very good book indeed. Except for the first, general, essay, which suffers from an overdose of professorial culture-ese, all the essays are clearly and attractively written.

Certain cultural attitudes are focused very sharply. The Spaniards are all more or less doctors trying to diagnose a disease. Once Spain was great, once her energy and courage transformed the world; yet for the last two centuries and more the Spanish-speaking countries have been falling further and further behind. The Latin American revolutions produced more dictatorships and anarchy than democracy. Spanish-speaking liberal parties are never quite liberal, Spanish-speaking industrialists never quite industrialise. What is the matter? The authors have no answer, or rather they have too many answers, from the dominance of military and authoritarian Castile as against naval, mercantile and democratic Catalonia to the ferocity of Spain's efforts as champion of the counter-Reformation and the survival into the eighteenth century of a scholastic and church-dominated educational system. They do not have very much hope either, though the Spanish-Americans see some chance that the superposition of Spanish on Indian culture which has been typical of the past may at last be giving way to a true integration. Best of all are the Indian chapters. Professor Atreya's description of Hindu monism is the best of its length this reviewer has ever seen. Mr Danilou shows how deeply Hindu artistic theory is impregnated by the general Hindu view of the world. Professor Chatterji gives a place to the pre-Aryan populations of India in the formation of Indian culture which is as obviously correct as it is revolutionary. These chapters alone make the book worth reading.

Top Secret Mission



by Madelaine Duke

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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.

Mourning for EDC

Washington, D.C.

THERE is no attempt to deny in Washington that the death of the European Defence Community at the hands of the French Assembly is what the President says it is, "a major setback" to American policy. President, Congress and country had become emotionally committed to EDC. This was to be the prize which would sanctify the policy of investing American men, money and effort in Europe and resolve the debates that had divided Taftite Republicans from Democrats and from the liberal wing of the Republican party. Above all, it was the one policy of the Eisenhower Administration for which Mr Eisenhower was more personally responsible than any other man.

This particular scheme would never have come to hold the position it did in American minds if it had been simply a means of arming twelve German divisions. It is true that the original proposal arose from the decision to rearm Germans, made under the impact of the Korean crisis, and on the insistence of the American military authorities. When the French responded by producing the Pleven Plan, the first draft of EDC, its reception in Washington was little more than tepid. The State Department, which was backing M. Schuman's policy of building up gradually a series of supra-national agencies in Europe, was worried that, since the coal-steel pool had only just been launched, public opinion was not sufficiently prepared for an army to be formed on the same basis. The Defence Department had professional doubts about the value of a multilingual army and a distaste for long constitutional debates while the enemy's camp fires were burning.

However, as the immediate danger of Soviet aggression began to recede, the American desire to see a stronger land army on guard in Europe merged with the longer-term ambition that France and Germany should end their national rivalry. This indeed would square the circle of American foreign policy and align internationalists with isolationists, for the main emotional force behind isolationism has been the conviction that European national hatreds are incorrigible.

★

French enthusiasts for federation encouraged this line of thought by arguing that something so revolutionary as European union could best be achieved as a dramatic response to an imminent danger. Many of them put pressure on the United States to put pressure on France, assuring Americans that overt American support for EDC and for a subsequent political union would guarantee their success. The most illustrious convert to this point of view was General Eisenhower and the full American commitment to the ship that has now sunk dates from his term as Supreme Commander.

Moreover, the American emphasis on EDC became increasingly insistent under the Republican Administration since Mr Dulles found himself carrying on substantially the same policies as his Democratic predecessor, yet having to demonstrate that they were either different in some way or were being pursued with much greater vigour. Once the Korean war was over, the only ways, in hard fact, that the Administration could fulfil its boast that "that precious intangible, the initiative, is becoming ours" were to wage military and political campaigns by proxy—and by the accident of geography on both Asian and European fronts the French held the proxies. Thus, the more resolute the Republicans wished to appear in the conduct of foreign policy, the more dependent they in fact become on the strength and resolution of one of America's weaker allies.

The more Mr Dulles's policy was questioned, the more he had to defend the Navarre plan by which the French were to win the war in Indo-China and the EDC plan which the French would have to ratify in the Assembly. "And so," as Mr Walter Lippmann says in his column in the *New York Herald Tribune*, "having lashed ourselves to the mast, we have gone down twice with a sinking ship."

★

It is not quite fair to say, as Mr Lippmann goes on to do, that the Administration had "refused to consider, even hypothetically, what to do if EDC proved unworkable." Some preliminary essays in "agonising reappraisal" had been going on ever since Mr Dulles coined the phrase. The trouble was that each time a group of officials took a closer look at one of the interrelated problems of Europe they ended up by being more convinced than ever before that the only satisfactory solution was through EDC.

The truth of the matter is that, so far from Americans trying to impose on Europe an American idea, the Americans had become intellectually captivated by a European idea. The more they looked at it the more they admired it: it was creative, imaginative, subtle. It would, as Mr Dulles put it in his reproachful statement *in memoriam*, have made Western Europe at once "immune from war as between its members and defensible against aggression from without."

In short the idea seemed to the traditionally Francophile State Department to possess all those qualities most associated with the French mind. It seemed inconceivable that any leader with qualities of the same order should not endorse the policy, unless of course he was a neutralist. M. Mendès-France, when in opposition, was thought by the State Department to be a neutralist and his approach to power was viewed with some dismay. Once he had convinced the Americans that he was firmly on the western side, it was assumed that he must be in favour of EDC. The disappointment about his attitude at Brussels and in the Assembly debate was therefore total.

★

Indeed, the French action is considered in Washington to be suicidal, not because it will stop German rearmament —some other way will certainly be found of starting that— because it is felt that no German government will ever be willing to accept such permanent limitations on its sovereignty as Dr Adenauer had agreed to in negotiating EDC. As far as American public opinion is concerned Germany has worked its passage, through its rapid recovery the route of private enterprise and the puritan virtues and through its acceptance of EDC. Indeed, before the Senate departed, it acknowledged this verdict by unanimously authorising the President to recognise German sovereignty when he saw fit. American officials will have to take this into account, even though they are fully aware of the need to place some restrictions on German freedom of action. They find it difficult to see how this can be done within the framework of the North Atlantic Treaty Organisation, which was not designed for that purpose. They suspect gloomily that the final result will be the emergence of Germany as a nation state alongside France, and that the traditional rivalries will be resumed.

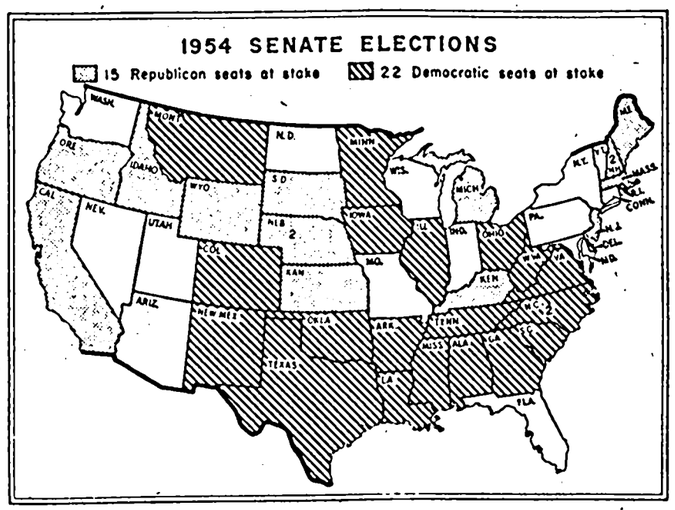
Fortunately, there is a certain time of grace. Congress is not in session. The policy of an American commitment in Europe has acquired sufficient momentum of its own to carry it over a reasonable period of re-thinking. The advocates of a "peripheral strategy" will of course leak their ideas to the press through the usual channels. But General Gruenther's personal influence, which is very great, not to mention President Eisenhower's, will remain on the side of defending Europe. American policy, in this immediate shell-shocked aftermath, is to remind Europe of the deadlines: the annual review of Nato commitments, to be finished by December; the running out of military aid to France next year—since under the Richards amendment no aid authorised after June, 1953, can be delivered if EDC is rejected; and the return of a new Congress next year to hold fresh hearings on foreign aid. Apart from this, Americans are inviting ideas from Europe; but in future when a suggestion is made the author will be asked to show the colour of his parliamentary coin.

Election Calculations

MR DEWEY'S apparently irrevocable decision not to run for a fourth term as Governor of New York State in November will still be reverberating through the Republican party long after the election is over. For the present it has improved the Democratic prospects in the state and thus the opposition's chances of winning a majority in the House of Representatives in Washington. The Senate situation is not, however, affected, for, although Senator Ives is replacing Mr Dewey as Republican candidate for Governor, he will not leave the Senate unless he is elected and, in that case, he will be able to appoint a Republican successor.

Nor does the death of Senator Maybank of South Carolina mean any change in the party position in the Senate; even though a dispute has been precipitated between the loyalists and pro-Eisenhower conservatives in the state's Democratic party, there is no more likelihood that a Republican could win a Senate seat in South Carolina than in any of the other eleven southern states where there are senatorial contests this year. The Republicans are equally sure of themselves in South Dakota, Kansas, Maine, New Hampshire and Nebraska. This means that, although for various reasons as many as 37 of the 96 Senate seats are at stake this year, a handful of results will decide whether the party scales in the Senate, at present evenly balanced, will be tipped to one side or the other on November 2nd; they may possibly be left in equilibrium.

The Democrats have some hope of winning a seat in Oregon, California or Massachusetts. Much brighter are their prospects in Wyoming, which they held until a Republican was appointed after Senator Hunt's death, and in Kentucky, where the beloved Mr Barkley, ex-Senator and ex-Vice-President, is the Democratic candidate in a fight which is turning on personalities rather than on issues. A McCarthyite division in the local Republican party also gives the Democrats a good chance in New Jersey, but the



nomination of weak Democratic candidates in Michigan and Idaho seems to have presented both these seats to the Republicans. They have a good chance of picking up seats in Illinois and Ohio, where a Democrat was appointed to succeed Mr Taft, although Minnesota is now thought to be in the Democratic Senator Humphrey's pocket. Colorado looks more safely Democratic than it once did, but the Republicans will be disappointed if they do not get at least one gain out of Iowa, Delaware, Montana, New Mexico or, less likely, Rhode Island.

The Democratic Senators who are in difficulties this year are those who were elected for their six-year terms in 1948 and were pulled to Washington on President Truman's bandwagon. This is one reason why the Republicans may be able to win control of the Senate in November, but for similar reasons the Democrats are expected to dominate the House. Its members are all elected every two years, and the present Republican incumbents came in on President Eisenhower's bandwagon in 1952; even so they are in a majority of only three. It is not surprising that the Republican National Committee, meeting in Cincinnati last week, decided that Mr Eisenhower must go on the road again and campaign more actively than is usual for a President in an off-year election, when his own office is not at stake.

Mr Eisenhower's task is to bring into the polling booths on November 2nd, on behalf of Republican candidates, the 5 million people who in 1952 voted for him but not for any congressional nominee. Only thus, it is argued, can the Republicans counter the traditional trend against the party in power in a mid-term election. It has also, however, been pointed out that the last time the tradition was broken was in 1934, when the political pendulum on which President Roosevelt had come to office two years before was still swinging in the Democrats' favour. Conditions today are very different, but it is at least possible that the pendulum has not yet reversed its 1952 swing to the Republican side.

TVA's Rearguard Action

THE dispute over who should provide additional electric power for the Tennessee Valley Authority, which so embittered and confused the debate over atomic energy, is not being allowed to die down. Congress sanctioned, in general terms, the President's plan to require the Atomic Energy Commission to conclude a contract with a private firm, owned by the Dixon-Yates group, to build a plant costing about $107 million which would provide an additional 600,000 kilowatts of electricity for the TVA system. This, it is argued, would replace the power which the TVA is now providing for the atomic energy plants at Paducah, Kentucky, and at Oak Ridge, and enable TVA to meet the area's growing industrial demands without the new government investment in electric power facilities which the Republicans oppose on principle and because it would mean increasing the public debt.

The objections of the TVA to the cost of the project were over-ruled and the Democrats who suspected a back-door attack upon TVA and public power had to be content with requiring the Joint Atomic Energy Committee to approve any such contracts while Congress was in session, unless the members, in writing, agreed that there was no need to give Congress a chance to object. Mr Stephen Mitchell, the Democratic National Chairman, has, however, kept the issue alive by the insinuation, which he later disowned, that favouritism to a close friend of the President was involved in the award of the contract, which was not open to competitive bidding, and by demands that the contract should be made public.

Now trouble has broken out once more inside the Administration. The TVA must work with the Atomic Energy Commission on the new contract. But the two directors appointed by Mr Truman, who were in charge until the new chairman, General Vogel, was confirmed, have publicly complained that they were provided only with excerpts from the proposed contract and that their experienced advice was being disregarded by the general manager of the Atomic Energy Commission, General Nichols. The two generals have now made peace, but General Vogel must still convert his own colleagues, who under the law can over-ride his decisions.

It is not surprising, therefore, that the AEC was unal to submit the completed contract to the congressional c mittee by September 2nd, despite its anxiety to have work started so that the power will be available by 1 This would mean asking the committee not to wait for C gress to reassemble, something which arouses Democra suspicions. The hearings have now been indefinitely post poned, quite possibly to the relief of the Administration, which cannot be eager for a show-down on so troublesome an aspect of the private *versus* public electricity issue just before the elections.

Segregation on the Defensive

THE children streaming back to school will not find, in most cases, that the Supreme Court decision banning racial segregation as unconstitutional has made very much difference. Nearly a quarter of all Americans will be going to school or to college, and nearly a third of them are in the seventeen states which maintain separate schools for white and coloured students. The fact that the Supreme Court has scheduled hearings for October, in which the Attorneys General of these seventeen states are invited to take part, to determine how the decision is to be applied is an invitation to do nothing this year.

The southern states, which present the hard core of resistance, are using the time to prepare defensive positions. The Governor of Mississippi is urging a special session of the legislature to follow the example of Georgia and South Carolina and give the state authority to abolish public education, in theory, in order to put it beyond the reach of the Supreme Court. Louisiana is asking authority to use its police powers to the same end, and in Virginia the all-white study group appointed by the Governor seems likely to devote more attention to ways of evading than of complying with the ban. But in an election year, it is asking a great deal of politicians to expect them to defy public opinion.

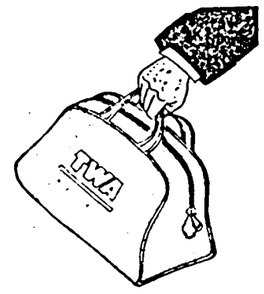
Elsewhere, moreover, there are many heartening signs of willingness to accept the inevitable and comply voluntarily. The District of Columbia, as befits the nation's capital, is giving a good example; it has already begun to

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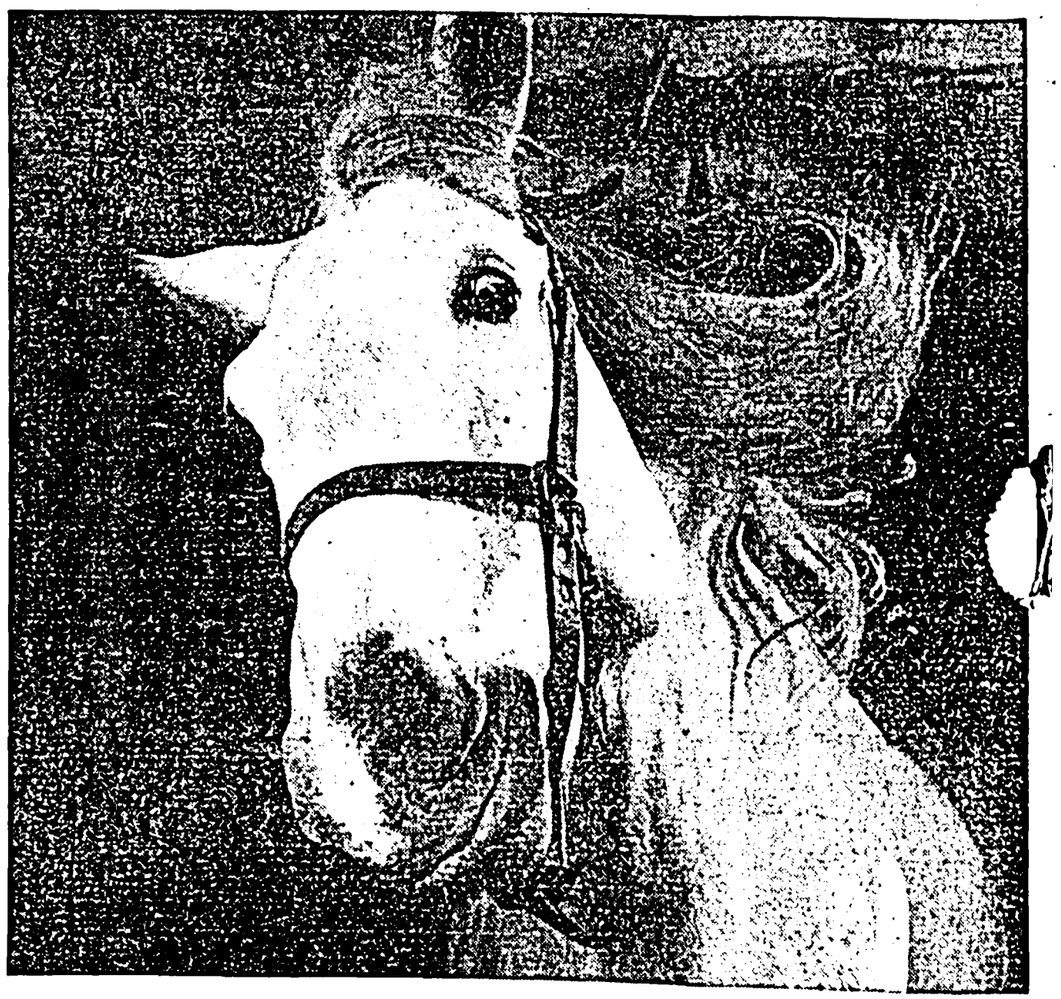
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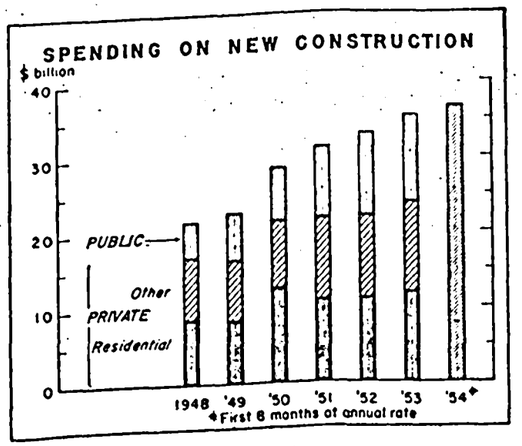
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mingle white and coloured children and expects segregation to be a thing of the past by next autumn, if it can fight off an injunction sought by white parents. Four of the border States, Tennessee, Arkansas, Missouri and Kansas, have accepted the end of segregation in principle, although they ask for time to put it into practice. Many individual school boards in the large cities along the border are breaking new ground. Baltimore, without any fuss, has abolished all of its all-Negro schools; St Louis plans to finish with segregation by next year; cities in Kansas ask for two years. This bears out the finding of the Gallup public opinion poll that the strongholds of racial discrimination are in the small towns and rural areas, not in the big cities. Their example holds out hope that the revolution decreed by the Supreme Court may prove, in the main, a peaceful one and is a reminder that not nearly enough credit is given abroad to the giant strides which the United States has made, in the past decade, to end racial discrimination.

Building Scrapes the Sky

SPENDING on new construction continues to show the buoyancy that has made it such an encouraging economic indicator for the last year; not only does it go on rising steadily, with no sign of the recession that earlier characterised the rest of the economy, but it is not even offering any evidence of the levelling-off that is now general elsewhere. All records for monthly expenditure on building were broken both in July and August and, while that was to some extent a seasonal trend, total outlays for this year are expected to exceed last year's, as they have every year since the war. The figures for new contracts being awarded



and new houses being started suggest that the building boom will be maintained for some time yet.

One reason for this satisfactory situation is that in this field the slack left by the decline in the federal government's spending has been taken up. Total expenditure on public construction is holding firm, although outlays for defence facilities have fallen substantially this year. The gap has been filled by state and local government spending on roads, schools, water supplies and sewers. The need for all of these arises partly from the backlog that piled up during the war and again during the Korean dispute, and partly from the growth in population. These two factors also of course explain the great demand for new housing which in its turn, with the related need for additional utilities—electricity, gas and telephones—is mainly responsible for the rise in spending on private building; churches also play a part. Such spending now makes up more than two-thirds of the total expenditure on construction; in the first eight months of this year, private outlays, five per cent above the same period of last year, amounted to $16.3 billion, nearly half on housing, and public outlays came to $7.4 billion. The only private spending that is declining is that on industrial, railway and farm building, but this has been offset by a particularly sharp upswing in commercial building, running 30 per cent above last year; this was restricted very severely during the Korean crisis.

There is at present no suggestion, as there has been several times in the past, that the market for new houses is reaching saturation point. The demand is based on the very plentiful mortgage funds that have been available all this year and can be had on especially generous terms by ex-servicemen through the government guarantees. Under the new housing Act, mortgage terms for all low-cost houses are now being made easier, too much so in the opinion of some bankers, who feel that the present demand for houses does not need any stimulus. It has been suggested, however, that some of the effects of the new Act have been felt in advance and that the knowledge that it was coming accounts for the recent level of new housing starts, running at a rate of over 1 million a year and higher than at any time since 1950.

Semi-Farm Votes

FROM A CORRESPONDENT IN IOWA

THE Democrats are convinced, probably rightly, that the new agricultural price law, pushed through Congress by the President after farmers had been suffering from falling prices and severe droughts for two years, provides an election issue which is likely to prove as profitable to the Democratic party next November as did revulsion against Republican agricultural policy in 1948. The extent to which farmers will actually blame the party in power for low prices and bad weather obviously depends upon how unsatisfactory these are by election day; but these factors may well decide the outcome in some of the close contests in key midwestern agricultural states, even though farmers do not necessarily base their voting decisions on such selfish and narrow considerations as are sometimes suggested.

Republicans have, however, one advantage in that the biggest farm organisation, the American Farm Bureau Federation, has fought harder and longer than the Republican party for the lower, more flexible price supports which are the main achievement of the new law, while not even the second biggest organisation, the National Grange, is opposed to them outright. Meetings and questionnaires have convinced the Farm Bureau that its members, who

include most of the prosperous commercial farmers in the midwest maize belt and many in the cotton south, are behind it on this issue.

One reason for the bureau's moderate approach to the farm price problem is that it is the youngest of the big general agricultural organisations; by the time it was founded, farmers were already a minority group, able to win in politics only by convincing the majority of the justice of their case. By 1950 only in one state, Mississippi, were there more people living on farms than off them; there were more non-farm than farm people, even in country districts, in all but five states—Mississippi, Arkansas, North Carolina and the Dakotas. Iowa, with over 95 per cent of its land in farms, has fewer farmers than trade union members. In that state, in almost one family out of five living in entirely rural areas, the head either does no farming at all or else depends in large part on other work, while in counties containing towns these "semi-farmers" may make up as much as three-quarters of the population. Elsewhere the rural character of agricultural constituencies is being subtly undermined by an influx of newcomers from the city, who live and vote as suburbanites. All this plays havoc with the traditional farm vote, never in any case very reliable, and adds yet another uncertainty to political calculations.

Congressional Bookworms

Washington, D.C.

THE Library of Congress, which is 154 years old and the largest library in the world, would seem to be a fairly tough institution. Yet this summer the Appropriations Committee of the House of Representatives began trying to nibble it away at the edges. Surveying the diverse functions which the Library has accumulated since the first appropriation of $5,000 "for the purchase of such books as may be necessary for the use of Congress," the committee advised the Librarian that he

> should be mindful the library is the instrument and the creature of the Congress. Its duties historically have been to meet the needs of the members of Congress first and to limit its service to that which can be furnished with the funds and staff available.

To sharpen this reminder, a cut in appropriations was recommended which would have meant diminished services throughout the Library; the Copyright Office, connected with the Library, would have lost $100,000, and $51,000 would have been taken from even the Legislative Reference Service. This is the branch which answers the myriad requests of Members of Congress for information, background material for speeches, and the sources of the literary quotations with which they embellish the *Congressional Record*; it can therefore hardly be regarded as a non-congressional cuckoo in the nest.

But more serious in the minds of scholars was the implication in the report that the Congress might suddenly stamp on the idea of the Library of Congress becoming a National Library, comparable to the British Museum. It would, however, take more than a little congressional boring to halt this development. The Library already performs a wide variety of services, including the printing of uniform catalogue cards and their distribution to libraries across the country, and the collection of such things as music and orientalia which no Senator or Representative is likely to need for official business but from which scholars and interested members of the general public benefit greatly. Last year, some 710,000 readers and researchers used the Library's facilities.

It was probably recognition of this, coupled with the substantial outcry of editorial writers and scholarly organisations throughout the country, that induced the Senate to temper the House's parsimony. The final compromise appropriation remains $59,657 short of the $544,293 spent last year, and the Library expects to have to abolish 65 positions on its staff. But it is possible that the new Librarian, Mr L. Quincy Mumford, may even be able to persuade the Congress, now that the issue has been raised, that the United States can afford and in fact must have a National Library, whatever pride of place the Congress may wish to retain in it.

SHORTER NOTES

President Eisenhower took time off from catch Rocky Mountain trout himself to veto the "un-American trout Bill which would have required foreign-caught trout to be labelled before being served in American restaurants.

★

The efforts of the American Federation of Labour to clean up the New York waterfront by setting up a rival trade union to the corrupt International Longshoremen's Association have failed. The ILA has now been certified as the bargaining agent for the dockers in their negotiations with the employers on a new contract; but at least the old union has had a fright which may induce it to mend its ways.

★

An agreement has been reached on wages and other benefits between the Kennecott Copper Corporation and the union, which had been on strike since the middle of August; as a result there may also be a settlement of the strike against the Anaconda Copper Company, but there is no sign of an end to the dispute with these companies that have almost halved the Chilean output of copper. The American strikes cut copper production in the United States by about 70 per cent.

★

The Department of Justice is preparing a new indictment for perjury against Professor Owen Lattimore, in spite of the fact that the Courts have already disallowed the key count in an earlier indictment. Instead of appealing to the Supreme Court for reinstatement of the vital count, the government proposes to submit to a grand jury new evidence, not considered in the previous indictment, dealing with Mr Lattimore's alleged "promotion of Communist interests" in the hope of rebuilding a sufficiently strong case to bring him to trial early next year. This procedure, as the *Washington Post* says, "suggests harassment more than it does a pursuit of justice."

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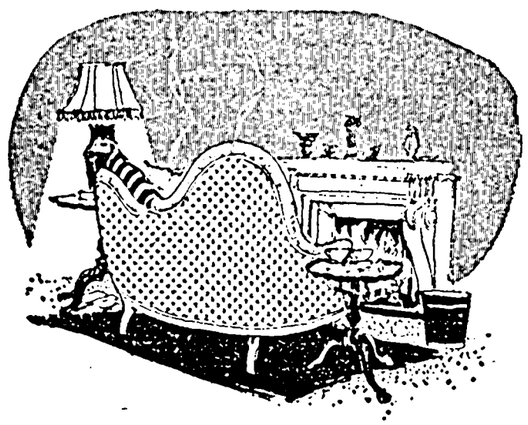
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The World Overseas

Fizzkrieg Over Goa

FROM OUR CORRESPONDENT IN INDIA

MR NEHRU is right; there is something of the comic opera about Goa. It is all so small-scale, so Ruritanian. The march of the volunteers, heralded for weeks, which turns out, as a Bombay weekly called it, a fizzkrieg; the Portuguese troop movements which never affect more than a few hundred men, the Portuguese warships which are never bigger than frigates, the Portuguese evasion of their own ultimatum about neutral observers; it is all more like a South Sea romance than a modern nationalist movement.

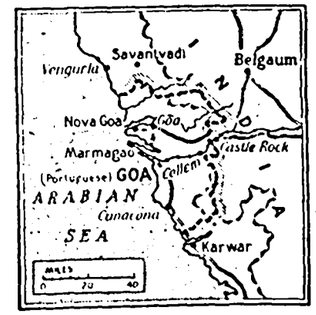
But underneath the musical comedy and the anti-climax, Indians are deeply serious about Goa; the mere existence of Portuguese rule is to them a major proof that colonialism is quite as much a menace as Communism, and that the West is hopelessly colonial. Indians wonder, for example, why Great Britain could not have recommended its oldest ally to negotiate, as well as advising a Commonwealth partner against a violence it never intended; while British press hostility and talk of "hypocrisy" and "Hindu imperialism" have seemed to some to prove that the colonial leopard never changes his spots. To Indians all this seems deliberate spleen, for to them Goa is, quite simply, part of India, as much part of India as Calais, even when English, was of France. They regard the Portuguese claim that it is part of Portugal as merely impudent; for them no place can be part of a country from which it is separated by several thousand miles of ocean.

There is, therefore, for Indians, really nothing to discuss. Goa is a part of themselves, separated from them only by a colonialism so out-of-date that it will not even discuss its own liquidation. In India the words "Portugal" and "mediaeval" go automatically together; Goa is doubly an offence because Portugal is a dictatorship. It is not forgotten that Goa harboured Axis ships in the last war.

Links with India

On the standard tests of European nationalism, indeed, Goa is Indian. Racially, Goa's population is indistinguishable from the people of neighbouring Ratnagiri or Karwar while the inhabitants of Daman and Diu are pure Gujerati; the number of Portuguese is infinitesimal, and of mixed bloods quite small. A surprisingly high proportion of the better classes claim to have no Portuguese blood at all, perhaps because of the habit, still found among Catholics, of continuing to marry only those who were of the same Hindu caste before conversion. Linguistically, the mother tongue of Goa is Konkani, that of Daman and Diu Gujerati. Not many more can speak Portuguese than English. Religiously, Daman and Diu have a large Hindu majority, Goa itself a small one. Only in the area immediately around Panjim and old Goa, the so-called Old Conquests, is there a Catholic majority. And Goa's Catholicism, with its memories of caste, has about it a faint Indian flavour, a flavour one finds again only in Mangalore or the Bombay suburbs.

Economically, Goa is already part of India. Its connections with Portugal, beyond the Banco Nacional Ultramarino, are negligible. Its currency, many of its bigger businessmen, the labourers who work its iron and manganese and docks are all Indian. The hinterland of its port is Indian, its little railway is worked by India, and though manganese and iron ore exports have become important of recent years, the main exports of all the Portuguese possessions are still the £8-10 million a year of liquor, gold and luxuries which are smuggled into India, and the tourists and remittances which come from India. Above all, almost the whole Goan middle class are dependent for a career, and indeed for much of their higher education, upon India. There are no jobs in Goa, and the few there are are held by Portuguese or mixed bloods. Of the dozen high officials, only two are Goans, and they are recently appointed; even the Customs men, or the village headmen of Nagar Haveli have usually been mixed bloods. There are probably more Goan officers in the Indian Army than Goan privates in the Portuguese Army. In Bombay there is a Goan Secretary to Government, a Goan is the editor of the leading newspaper, a Goan will be the next chief engineer; there are Goan trade union leaders, specialists, leaders of the Bar. In Goa the Archbishop is a Portuguese, in Bombay the Cardinal-Archbishop a Goan.



Why there has been so little agitation in Goa so far, therefore, requires some explanation. Partly it is that Goa is a police state, though admittedly a rather inefficient one. There is no way for the public to express its opinion, not

even an elected municipality, and those who talk to one of the need for Goa to join India do so almost furtively. Was not Dr Gaitonde departed to Portugal and deprived of civic rights for ten years for just such a tea-table remark? Partly it is that Goa is backward and rural. The modern middle class are all in India, and those on the edge of subsistence tend to be politically apathetic. One may remember the Slovaks and Ruthenians of 19th century Austria-Hungary. Partly it is the preponderant importance within Goa of the better class, Catholic, Portuguese-speaking townsmen and landowners, some of whom undoubtedly do fear a loss of their present privileged position if Goa joins India. Rents in Goa are three times as high as in Bombay. Partly it is a real affection for Goa's special atmosphere. Goa is not austere like India ; it likes its bars ; most Goans dislike the Portuguese, but that does not mean that they want to lose their identity in a Prohibition Maharashtra. But above all, it is that the present situation suits many people in Goa very well. They have all the advantages of Portuguese citizenship and of Indian citizenship alike.

A Utopian Situation

It is a Utopian situation ; perhaps for that very reason it cannot last. The Portuguese have played their hand badly over the last few months. Their rule rests on apathy ; and they have created tension. The idea of a march of volunteers on Goa was that of India's main opposition party, the Praja-Socialists, and its intention was quite as much to capitalise on the Indian public's impatience with Delhi's caution as to liberate Goa. *Satyagrahas* are indeed the Praja-Socialists' favoured weapon, they believe they are part of democracy. At the same time as Goa, they had one in Uttar Pradesh against higher water-rates and another in Andhra against evictions of tenants.

The sensible course for the Portuguese would have been just to arrest and deport the satyagrahis as they came in. Instead, they have brought in Negro troops, and shut their border, and written loud Notes, and deported their Indian labour. It is all very upsetting for the quiet Goans. No longer can they have the best of both worlds. The remittances are almost cut off, the tourists no longer come, smuggling has become impossibly difficult, the Negro troops will have to be paid for, there will be no one to work the mines after the monsoon. Now that Indians are not to be allowed to do it for them, the Goans will have to work for their own liberation.

The Politics of Cocoa

FROM OUR CORRESPONDENT IN THE GOLD COAST

THE first all-African elected Assembly in the Gold Coast recently brought its first session to an end. Easily its most important act was legislation to maintain the price paid to the producer of cocoa at the present level—of £134 a ton—and to ensure, by graduated export duties, the diversion into Government hands of the bulk of the balance created by the extraordinarily high prices prevailing in the world market. The average for the crop year 1953-54 is about £357, and so far, for the financial year of 1954, the average price is as high as £442.

Any decision of the Cabinet concerning cocoa goes to the core of this country's economy. But its decision on cocoa prices this year has implications beyond the frontiers of the Gold Coast. A considerable controversy has arisen among overseas firms and interests engaged in the purchase of cocoa, and in the course of it the activities of the Government in Accra have come in for some criticism.

The starting point of the controversy is the high world price of cocoa. Although the prewar average was only £32 a ton and the 1946-1952 average £208 a ton, in July this year the average price rose to £488, and there were reports that advance buying at one point reached the remarkable level of £575 a ton. Two types of criticism have been put forward, both levelled at the Gold Coast Government. The first concerns the activities of the Cocoa Marketing Board which—in succession to various wartime purchasing authorities—has handled the selling of the whole cocoa crop since 1947. This Board, it is claimed, tends, by virtue of its monopoly, to force prices up. In addition, its habit of releasing cocoa for sale in limited quantities throughout the crop year—a procedure which involves withdrawing its supplies from the market altogether from time to time—creates artificial shortages and an upward pressure on prices. In the United States, the more fantastic criticism is sometimes heard that the Cocoa Marketing Board is a sinister instrument of British colonialism and its large reserves—now in the neighbourhood of £100 million—are filched from the African cocoa farmers to underpin Britain's domestic economy.

Demand Outstrips Supply

These criticisms cannot, in fact, be sustained. The Cocoa Marketing Board is virtually all-African, and the use of its reserves is limited by law to stabilisation and development in the African-owned cocoa industry in the Gold Coast. As for the supposed effect of its policy, both Mr Howard Frye, President of the Association of Cocoa and Chocolate Manufacturers of the United States, and Mr L. J. Cadbury have agreed that "the overriding fact is that world demand has outstripped world supplies." The Board's intermittent releases of cocoa have little influence on this basic situation. Indeed the manufacturers themselves, when pressed to say whether they wished to change the procedure, admitted that it was a most orderly and acceptable method of disposing of the crop.

Since the high world price is really caused by high demand and inadequate supplies, the second line of attack upon Gold Coast policy seems at least to aim in the right direction, for the basis of this charge is that the Administration is not taking the steps necessary to increase production of cocoa. The cocoa crop has fluctuated considerably since the Cocoa Marketing Board first began its purchases in 1947—between the low point of some 207,000 tons in 1947-48 and over 278,000 tons in the following year. The sharp increases in price of the last twelve months are directly related to the disappointing crop which, estimated at 236,000 tons, fell to 205,000 tons. If, therefore, the Gold Coast Government is at present neglecting to undertake policies that are open to it to increase production, then it would clearly have to bear part of the blame for the effect of low supplies on high world prices.

The critics have fixed on two aspects of policy which, they claim, work against the expansion of supplies. The more general line of criticism concerns the alleged failure

of the Gold Coast Government to invest enough of its reserves in methods designed to increase production, improve fertility and arrest disease in the cocoa industry. Out of the 1953-54 world crop, 70,000 tons were lost through capsid disease, 50,000 tons through black pod and 50,000 through swollen shoot. To this general criticism is added a strong specific attack upon the decision to hold the internal price of cocoa to £134 a ton while world prices soar beyond the £400 mark. Give the cocoa farmer an added incentive, the argument runs, and he will soon increase his output.

The criticism of insufficient attention to a programme for increasing productivity is difficult to meet because the criticism itself is difficult to define. Success in research does not necessarily bear any relation to the spending of a particular sum of money. Some discoveries come cheaply and soon. Other problems defeat years of research. Moreover, in dealing with a farming population changes, however desirable, are likely to be slow, the more so when farmers are largely illiterate and the cocoa is grown on trees planted in the main in small plots without system or any tradition of careful—let alone scientific—farming.

500 Million Trees

Given this background, it is perhaps fair to say that critics abroad appear to underestimate what has been done to stabilise and improve cocoa production. The £100 million in the stabilisation fund must remain an essential cover against an eventual fall in cocoa prices. Meanwhile the Gold Coast Government's campaign against swollen shoot should not be underestimated. Annual grants to indemnify the farmer for the trees cut out and to provide him with new trees have risen from £300,000 in 1947-48 to £2,500,000 in 1952-53, with the result that the disease has now been very largely checked. In addition the Board has set aside over £6 million for rehabilitation, £1,500,000 for research, and over £1 million for scholarships. On the debit side must be set a certain lack of contact between the main research institute supported by the Board—the West African Cocoa Research Institute—and the practical problems of the farmers. It is possible, for instance, that better liaison and greater drive would have led to an onslaught on capsid disease some years earlier. It is only now that the antidote—a DDT spray and the sprayers to use it—is becoming available. Even so, access to 500 million trees creates a formidable problem of administration.

The answer to critics can be more dogmatic on the central question of the internal price of cocoa. In present circumstances, there is nothing to suggest that a rise in price would increase output. That particular stimulus is exhausted. Before the war, the export price per ton fluctuated between £17 and £56 a ton, and the farmer probably received about four-fifths of it. Since 1947, the price paid to the farmer has increased from £74.13 per ton to £134 a ton in 1953. Under the pressure of this stimulus, a large amount of fresh planting was done, often on unsuitable land. But the cocoa tree takes seven years to come into production. Bigger crops may be expected in 1956 or 1957, but no price change this year will affect that result. On the contrary, it may even decrease output, since higher prices would enable the cocoa farmer to realise an excellent income on a smaller crop and could encourage his present tendency to leave the end of his crop unharvested.

While the argument that a higher price would stimulate greater supplies is unproven, it can be mathematically shown that a marked increase in local purchasing power would have an inflationary effect. In 1949 and 1951, when two major increases in the internal cocoa price occurred, the index of local food prices increased suddenly by 45 per cent in 1949, and by another 41 per cent in 1951. This in turn increased sharply the local rate of wages. Since 1952, the policy of holding steady the internal price of cocoa has led to a stable cost of living index and, indeed, in 1953 to a significant fall.

Yet the decisive argument for the Government's policy is one that is so familiar that it is difficult to understand why critics in more advanced economies cannot accept its force. The accumulation of capital is the only road away from the stagnation and low standards of an undeveloped economy. If a higher price is paid to the cocoa farmer, the immediate result is inflation. If the balance is retained by the Government, it is available for productive investment to strengthen the base of the economy. It is no coincidence that the Gold Coast has been able to finance from its own reserves the £10 million needed for Tema Harbour, a contract recently secured by British engineering concerns. It is peculiar, even disturbing, to African statesmen, to hear British critics attacking them for failing to pursue inflationary policies when echoes of Sir Stafford Cripps's or Mr Butler's exhortations to thrift still fall on their ears. The windfall price of cocoa is the Gold Coast's opportunity to save. Virtually alone among primary producers it is showing the political courage to do so.

Stakhanovites' Losing Battle

BY A CORRESPONDENT

THE Rumanian workers have, it appears, succeeded in destroying, at least for the time being, the stakhanovite and shock-workers' movement that was officially created in Rumania in October, 1951. For the first time the annual report on plan results for 1953 contained no mention of the movement or of its achievements. And since March the Rumanian press has completely dropped a subject that had for years formed one of its most fertile sources of news. Every day a new record used to be broken and almost every day brought forth a new hero. The different Rumanian newspapers used to compete amongst themselves to see who could first announce the new record, and first present the new hero to the public.

But in spite of all this publicity the average Rumanian worker disliked the movement from the beginning, and as time passed, his dislike changed to hatred, as he realised more and more clearly that its purpose was to exploit him even more thoroughly. The "record-breaking machine" could only lead to a regular increase in the general norms and thus to a decrease in wages. No propaganda could prevent the worker from feeling this result in his own purse. He also came to realise that the "royal fees" paid to the stakhanovites were largely covered by the economies realised in the ordinary workers' pay through the yearly increases in the norms. In time he also learned that apart from the material advantages received by stakhanovites—such as new housing, exceptional holidays, special allowances for children

—he also enjoyed a *régime de faveur* in the factory. When raw material or spare parts were in short supply, the stakhanovites were never the ones to suffer.

The stakhanovite movement thus developed in an atmosphere first of mistrust and then of open animosity. No wonder that it was not very successful. At the end of 1951 there were 1,000 Rumanian stakhanovites. By the end of 1952, according to the best estimates from the contradictory official statements, their number had reached 7,500. To give the movement a new impetus, "stakhanovite schools" were created by decree; they were compulsory for those selected. The number of stakhanovites rose in 1953 to 25,000 but after that the regime apparently realised that it had failed. With all its efforts it had turned less than one per cent of the Rumanian wage earners into stakhanovites. Moreover the stakhanovite schools had not been a success. Many of the most skilled workers took care not to pass their examinations, either through a feeling of solidarity with their fellows or because they feared the enmity of the other workers when they returned to the factory. The regime therefore evidently decided to bury the movement; and the decision to revise salary scales, announced by Gheorghiu-Dej on August 23, 1953, and passed into law the following November, was in fact the grave-stone of the stakhanovite movement in Rumania. Whether or not it will be disinterred remains to be seen.

A Hero Boycotted

What form did the Rumanian workers' resistance to stakhanovism take? Naturally there was no organised movement or resistance, nor was there any sort of open revolt. But the workers did not lack means of making their feelings known. For instance they withheld all help from the stakhanovite. This proved very telling as the record breaker depends a great deal on the help of his fellow workers. He soon found himself completely isolated, and the so-called production meetings became scenes of mutual recrimination; the stakhanovite accused the rest of the workers of boycotting him and the workers complained about the favours enjoyed by the stakhanovite. One famous coal-miner stakhanovist, Geza Kopetin, unable to stand any longer the hostile atmosphere created by his fellow-workers, wrote an open letter to the newspapers. He complained of the isolation in which he found himself and his "brigade" in the pit, of the difficulties encountered by them and the uncooperative attitude of the other miners. Nothing more was heard of him for several months, until the newspapers announced that the celebrated brigade led by Kopetin has beaten new records in a pit situated some thirty miles from its former mine. This was one of the best examples of how Rumanian coal miners deal with their "heroes."

But the method which perhaps gave the best results was the election of the stakhanovite to as many committees as possible. He was made a member of the trade union, party, sport and cultural club committees. He was also elected town, *raion*, or regional councillor and some were even made deputies. Thus after an exhausting day's work the stakhanovite had to run from committee meeting to committee meeting, to receive his electors and to take care of their complaints. He lost his sleep and barely had time to eat; and as a result many fell ill. This led at last to a press campaign, last year, against the mania of the meetings—*shedintzomania* as it was called; the chief complaints came naturally enough from the stakhanovites.

Danes South of the Border

FROM OUR CORRESPONDENT IN COPENHAGEN

A DISTURBING feature of tomorrow's provincial elections in Schleswig-Holstein is that the Danish minority party will probably lose the four seats it held in the previous *Landtag*. This would mean that the 70,000 Danes south of the German frontier would no longer have any voice in affairs at either the *Land* or the federal level, for the solitary Danish member of the *Bundestag* in Bonn lost his seat in last year's German elections. This total disfranchisement would contrast strangely with the position of the 20,000 strong German minority north of the border, which returns a member to the Danish *Folketing*.

The critical situation of the SSW, the Danish minority party in Schleswig-Holstein, has arisen from two causes: a steady falling off of support since 1948, and the new *Land* electoral law. After the war, the nominal membership of the minority soared; Schleswigers of mixed or uncertain origins sometimes declared themselves Danish in order not to share the full consequences of Germany's defeat. But although there was some truth in the scornful label *Speckdänen* ("bacon Danes"), Denmark could offer decency and democratic ideals to a shamed people, as well as food parcels. In 1945-46 the minority felt strong enough to campaign for the political separation of Schleswig and, after a period of United Nations control, a plebiscite which might return South Schleswig to Denmark. In September, 1946, Britain, as occupying power, offered the Danish government three alternatives—exchange of populations, or frontier rectification with or without plebiscite—and undertook to raise with the other occupying powers any one proposal. Wisely, Denmark declined all three. Today impartial Danish and German observers admit that the frontier fixed by the 1920 plebiscite is fair. In 1947, Danish candidates in Schleswig-Holstein polled 100,000 votes. Next year came currency reform. Since then support for the minority has dwindled in proportion to the Federal Republic's economic recovery and political advancement. It obtained 75,000 votes in 1949, 72,000 in 1950 and 45,000 last year.

Ill-Will in Kiel

The *Land* electoral law, like the federal law, contains a "five per cent clause"; to be represented, a party must gain one direct mandate, or five per cent of the aggregate vote. The law's praiseworthy aim is elimination of "splinter" parties, but unlike the federal law, it does not except national minorities. At the 1953 federal elections, the SSW vote dropped to 3.3 per cent. This spring the minority introduced a motion in the *Landtag* to bring *Land* and federal legislation in line. An ill-timed speech in Rendsburg by a Danish irredentist hothead possibly swayed the voting and, despite German Social-Democratic backing, the motion failed. A subsequent SSW motion to limit application of the clause to South Schleswig (where the minority lately polled 15 per cent) was likewise defeated. Finally, the minority appealed to the Constitutional Court, which ruled that the disputed clause was constitutional, but not necessarily binding. Denmark's Foreign Minister commented that with goodwill a solution seemed possible. In Kiel that goodwill has been regrettably lacking.

The SSW's chances of obtaining the required aggregate vote of 60,000-65,000 are now slender. There is bitterness that the presence of hosts of refugees may disfranchise the native Danes. Nor are the party's prospects of gaining a direct mandate rosy. Although Danish candidates are standing in twelve constituencies, they have only a faint chance in two Flensburg divisions. Danish allegations of gerrymandering in boundary adjustments seem well-founded. The Flensburg Danish Socialists have joined forces with the German Social-Democrats, thus weakening the united front. The German right-wing parties have sunk their differences and "ganged up" in the marginal seats. Some SSW supporters, feeling that a vote for the minority is wasted, may vote on party rather than national lines.

Since 1949, when a Social-Democratic *Land* government gave the Danes their charter in the Kiel Declaration, relations between Germans and the minority have deteriorated. The declaration, adopted unanimously by the *Landtag*, provided far-reaching political, economic and cultural safeguards for the minority. Exercising their rights under the Declaration, the Danes have launched a "cultural offensive," and there are to-day 89 modern, well-equipped Danish schools in South Schleswig compared with seven before 1945. (The German minority in Denmark has 27 schools.) Two-thirds of the teachers and a score of pastors are Danish nationals. Germans, indeed, fear that the long-term aim of Denmark, which spends 30 million kroner annually on cultural projects, is to proselytise all Schleswig. On the other hand, *Programm Nord*, an ambitious ten-year land reclamation scheme, which envisages the resettlement of 36,000 refugees from the east in South Schleswig, is also a source of friction. The Danish minority, suspecting any German infiltration of a predominantly Danish area, demands equal opportunities for natives.

Herr Lübke, the present premier of Schleswig-Holstein, has stated that if he is returned to office he will seek some means of associating the SSW in *Land* affairs. The Social-Democrats, who may gain in the elections, are pledged to make urgent representations in the *Landtag*. Recently, the influential weekly *Die Zeit* condemned the government's attitude to Western Germany's only national minority as "stupid and petty," and indicated possible boomerang effects on large groups of *Auslandsdeutsche*. Christian-Democrat intransigence has certainly violated the spirit of the Kiel Declaration; but if wiser counsels now prevail, it may still not be too late to repair the damage to Danish-German relations.

Across the Bay from China

FROM OUR HONGKONG CORRESPONDENT

HONGKONG Chinese know better than others what is going on and what is planned for the future in China. They have a thousand and one wires of communication. They see in the Soviet Union of the postwar decade the Chinese Communist expansionist state of the next decade. Least of all are they fooled about the fate of their own kith and kin who built industries, created trade, and engaged in a hundred and one constructive enterprises while civil wars and ravenous politicians raged around them. They know—none better—that having been terrorised into submission by such campaigns as the "five-anti" which led so many to suicide and ruin, these people are now facing the progressive seizure of their interests and industries by the state, without any pretence of compensation.

They, and practically all responsible members of the very important community of Chinese overseas, regard the Labour visit to Peking as very untimely. It came just after the Geneva triumph of the Communists. It came at precisely the period when the relations between the dominant Communist clique around Mao Tse-tung (led by the formidable Liu Shao-chi with his many Stalin-like qualities), and the Army commanders were more tense than at any time since the liberation. The arrogant denunciation by Liu Shao-chi in his report to the Central Committee last February of high-ranking commanders and regional civil officials had passed far, wide and deep; and the purge of all the great Field Commanders and their staffs now going on is similar to that carried out by Stalin in the days of Tukhachevsky, except that they are not executed but only deprived of place and power. The Liberation Army are now told by the Party mouthpiece that they, too, must sit at the footstool of the Soviet and modernise themselves. And, finally, they have been relegated politically to a scant minority in the National Congress, in which all the armed forces will have 60 seats, including two for the navy and ten for the People's Volunteers who fought in Korea. It was a strange time indeed to give so much face to the Party hierarchy in Peking.

Doubts Among the Overseas Chinese

But worst of all is the shaken confidence and renewed doubts of our only real friends among the Chinese—the overseas communities. The visit has had a very depressing effect upon them, just as they were getting the ear of the better men around the Nationalist Government in Taipeh, and these in turn were getting more sympathy from the Chinese communities abroad.

These are the people with whom the British deal when they buy or sell for Britain in these parts. Their lot and ours are one and the same. They are more important from a purely economic point of view than the 600 million in China at present. We have been partners in the astonishing recovery of Hongkong and of Singapore from the wrecks they were when the Japanese had done with them. Their stake in British policy is, indeed, considerable.

The Hongkong British, on the other hand, would like to see more friendly relations with Peking. They have suffered gravely from the lack of normal contacts and normal decencies of international intercourse. They never know, when they venture on a yachting trip round the island, whether they may be blown off course and into Communist custody or even shot to ribbons like the Royal Naval launch and its British crew. This seems a poor recompense for the blamelessly liberal attitude towards the Communist section of the Chinese daily press and the numerous Communist state trading agencies now operating in Hongkong.

Nevertheless, the British in Hongkong expect nothing more to come to themselves and the Colony from the Labour Party's delegation to Peking than do the local Chinese. As one cynic in downtown Hongkong has put it, as a result of the visit the Embassy and Mao's Foreign Office are now, after five years of British recognition, on calling terms!

Russo-German Rivalry in India?

FROM A CORRESPONDENT

IT is far from clear how the reported Russian offer to supply India with a steelmaking plant fits into the Indian programme for the expansion of steel production. According to the Planning Commission's last interim progress report, the Krupps-Demag financial contribution to the capital cost of the projected Hindusthan Steel Works has been fixed at a maximum figure of Rs 95 million, "the exact amount of the contribution depending on the value of the plant and equipment which may ultimately be purchased from Germany." Hindusthan Steel, to be located at Rourkela in Orissa at a total cost of Rs 750 million, has been registered as a public company, the board of directors appointed and the preliminary recommendations of the German consultants have been accepted. The latter are understood to advocate a process for the manufacture of steel which is now standard practice in Germany and which, it is claimed, will yield 8 per cent more steel with the same amount of raw material than the process at present used in India. The Krupps-Demag investment in the project is to be geared to the amount of equipment purchased from Germany. The willingness of the consortium to make this investment is understood to have been a major factor in securing German partnership in the venture. How, therefore, can this benevolent, but belated, Russian offer be fitted into an already somewhat complicated picture?

A Commanding Lead

It is true that when detailed designs and specifications are ready (probably in January, 1955) it is hoped to place orders for plant and equipment by inviting global tenders; but the Germans clearly have already established a commanding lead over any competitors who may be disposed to enter the contest. If their interest and their investment are to be retained in the scheme it seems obvious that a very large part of the plant must inevitably come from Germany, where the plans were laid.

Thus viewed, the Russian offer looks a little out of context, and in any case it might have been supposed that if Russia had a steel works available for export on special terms China would have a stronger claim on it than India, whose output, when Rourkela gets into production, will be raised to over 2 million tons per annum. Rourkela's initial capacity will be about 500,000 tons annually, but the works are to be so laid out as to permit of a further expansion to 1 million tons per annum.

In addition, both the Tatas and the Indian Iron & Steel Co. have important expansion schemes under way for which financial aid has been secured from the Government of India and the World Bank. Tatas' extensions envisage an increase in the annual production of finished steel from 750,000 tons to 932,000 tons and Indian Iron & Steel from 225,000 tons to 624,000 tons. The little Mysore Iron & Steel Works, which mostly concentrates on the production of pig iron, has installed two new electric furnaces and capacity now exceeds 60,000 tons.

It is estimated that Rourkela will take at least four years to come into production, and that during the first Five Year Plan increased production must come from existing units. The Planning Commission estimate that by 1957-58 the output of finished steel will have been boosted to 1,650,000 tons. Rourkela's output thereafter will raise the figure to over 2 million tons and any further increase will mainly depend upon the rate of progress attained in the second Five Year Plan. In it the major emphasis will be upon industrial development, which entails a continuing and expanding demand for steel.

An Islamic Forum

BY A CORRESPONDENT

THE Prime Minister of Pakistan has now informed his public that, on the suggestion of Lieutenant Colonel Nasser, the Egyptian Premier, plans are in hand for an annual Conference of Islamic statesmen, to be held in Mecca on the occasion of the Haj—the great yearly pilgrimage. Money is being earmarked, plans and a timetable evolved, and a small permanent secretariat is being set up. A member of the Egyptian Council of the Revolution, Colonel Enver al-Sadat, is to be in charge.

Although Pan-Arabism has had greater publicity in recent years than Pan-Islam—indeed the two have occasionally clashed—the relation between them is one of profound mutual penetration. Either, except in times of particular regional stress, can be the best of allies of the other. It is, in fact, inconceivable that any Islamic government, whether Arab or not, should react in public otherwise than with the most complete favour to the proposed organisation and conference. It is likely, therefore, that an inter-Islamic office in Mecca, and an annual full-dress Islamic congress coinciding with the pilgrimage, will become permanent features of eastern-hemisphere politics.

Mecca and Jerusalem

Religious solidarity apart, the practical advantage of such an organisation to the Moslim states is obvious. It will allow any one of them to mobilise the others automatically in support of its own position or protest to the world and to bring on block votes. Previous attempts to unite Islam in the twentieth century—in Mecca, in Cairo, in Jerusalem and in Karachi—have been handicapped from the start by schisms. But now certain notorious points of friction between Islamic states have been removed and Islamic leadership is becoming increasingly realistic. The presence of Israel, moreover, affords a constant focus of unified displeasure and mutual admiration. For all these reasons the new Islamic congress may achieve its express aim "to promote better understanding and greater unity among Moslims."

From the western point of view, the scheme will not elicit much enthusiasm. Although the Islamic congress may give its members a better grasp of world problems, it is hardly likely to discourage nationalism and may give scattered rancour greater force. Meanwhile, moreover, the same statesmen who have met at Mecca have planned a more immediate Islamic Conference at Jerusalem. Its object is to deal with the threat posed by the existence of Israel. That sounds all too familiar, and there is no hint of a new outlook.



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.

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One more result has been that Associated Newspapers Ltd. are now using Burroughs Sensimatics on sales accounts for their latest paper, the "Daily Sketch."

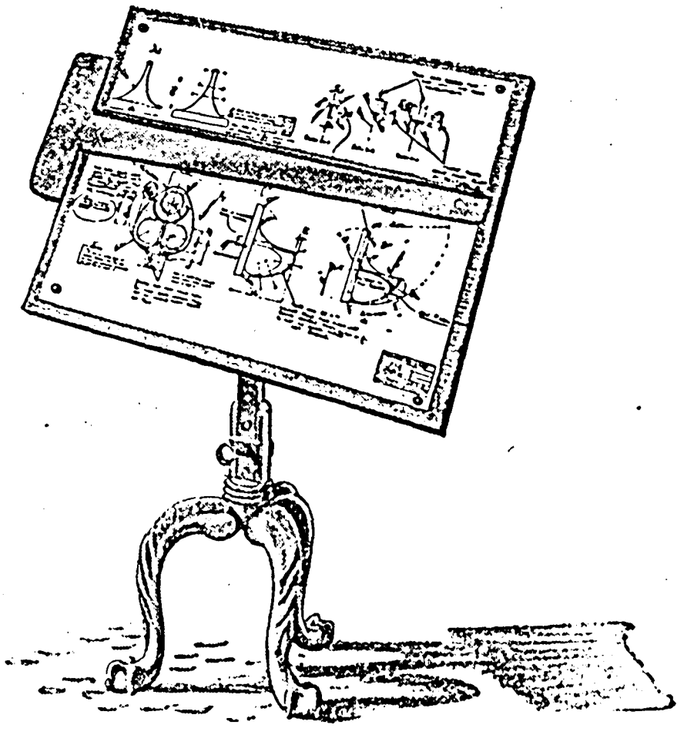


210 postings in 45 minutes—that's a normal rate of work achieved by Mrs. J. Dickens, seen preparing statements for newsagents in the offices of Associated Newspapers Ltd. Watching her use one of the Burroughs Sensimatic Accounting Machines is Mr. Paul Stark, the Burroughs man who helped solve "The Case of the Sunday Dispatch."

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THE BUSINESS WORLD

In the Final Comparison

ALL the productivity reports, it was once said, had roughly the same first chapter—perhaps the teams had all heard roughly the same lecture. The remark was neither quite true nor wholly unfair. Some of the 67 teams of British managers and men that the Anglo-American Council on Productivity sent to look at American industries between 1949 and 1953 decided that they had nothing new to say about that famous "climate of productivity" and so said nothing at all; one or two made more individual comments, some of them controversial, about America as an industrial society. But certainly a considerable number of these teams, before going into industrial detail, did dwell briefly upon some pervasive characteristics of that industrial society that they felt had an over-riding influence upon the comparative performance of individual industries there and here. And the last productivity report of all, which has come after some intriguing delays from a team that went to the United States with perhaps the widest brief of any, "Industrial Engineering,"* devotes even more of its space to what it wryly calls "those clichés" about major economic and social factors in the American scene, in analysing the efficiency and growth of American industry.

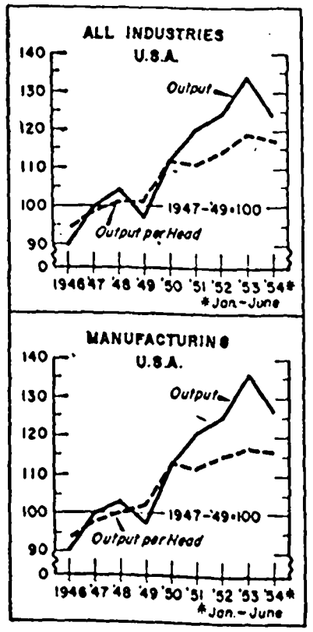
In this, almost certainly, the teams were quite right. The core of the comparison between particular industries in the United States and Britain lies in the natures of the two societies—not in those particular practices, techniques, and items of equipment that the teams almost unanimously reported were not unknown in their British industries, though they were far more widely adopted in the American. The team of industrial engineering specialists, whose main purpose was "to investigate the dynamic and aggressive American approach to improvement of methods of manufacture and to continuous reduction of operating costs," were rightly concerned to analyse some of these "visitors' clichés" more fully. It distinguishes as "characteristics that may be transferable to the United Kingdom" the sharp and urgent competitiveness of the American economy, the freer supplies of finance for capital investment, the lower impact of taxation, the "non-stratification" of society, and high wages—valuing competitiveness first by a long way.

Accordingly, this team ventures into a quasi-political field from which most of its predecessors have felt themselves precluded. It recommends that monopolies legislation in Britain, which it thinks at present "tends to be ineffective," should be considerably strengthened and its range extended" to ensure competitive conditions," suggesting as a first step that all trades associations—and trades unions—should be compelled to publish any rules or agreements that are binding upon their members. It wants more effective publicity for the facilities available to small firms for obtaining finance by capital investment, revision of tax allowances for depreciation to enable more rapid writing-down of plant, and more liberal import licensing of machinery (which since this report was written has in fact begun). Its more directly industrial recommendations still concern industry in general rather than in particular. The team advocates much closer attention to costing for management purposes, both of current operations and of future projects; the extension of shift working, with changes in shopping and restaurant hours to support this; wider use of time and motion study, less for rate-fixing than for improving manufacturing methods; research into incentives and study in advance of the problems of redundancy that underlie industrial opera-

* "Industrial Engineering." Published by the British Productivity Council, September, 1954. 5s.

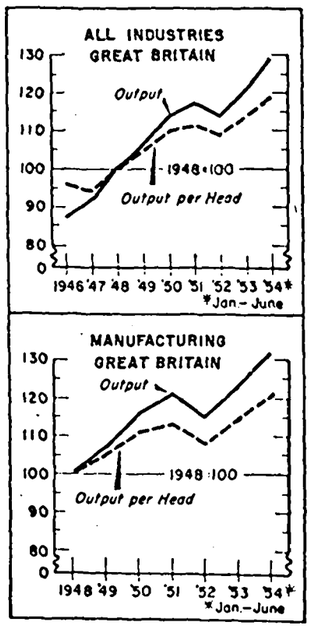
tives' fears of changes in technique; a higher status for foremen; and, in its own special field, the wider employment in Britain of what Americans sometimes call the "hyphenated engineer," whose main business is with making changes to reduce costs—from work study to the economic assessment of investment plans.

This last of the productivity reports is therefore, in its way, a summing up of many of the others; its recommendations draw together most of the practicable recipes for improvement in the productivity of British industry. It is, incidentally, clearer than many other contributions to the subject about what it means—and measures—by productivity. Admittedly, it uses the familiar comparative indices of output per head in America and Britain without making it clear that the "industrial productivity" so measured is labour productivity, which leaves a lot out. Such a measure of output against only one factor of input, in countries where the relations between the cost of different factors such as equipment and labour may differ considerably, is an inadequate yardstick of total efficiency in the industries or economies compared. This is a confusion far more common in Britain than in America, where the cost-conscious engineer is far more alive to just how much productivity it will pay him to buy, and to the fact that high labour productivity may not necessarily make his costs competitive. An engineer in one of the largest American electrical plants said to an English visitor last year: "We are quite honestly sure that this is the finest power turbine plant in the world, and that our productivity, if we could measure it adequately, would be the world's highest too. And we are equally aware that every time we come to tender, in the States or Britain, Brown Boveri or English Electric can almost certainly underquote us." It is possible, indeed, that labour productivity in American shipbuilding is higher than in Europe, since wages are three or more times as high and American ship prices are not quite that; but that comparison is comforting nobody around Newport News.



Trends in Labour Productivity

The accompanying charts show the broad trends of industrial production in Britain and the United States since the war, and also some very approximate indications of output per head (derived by relating the production indices to indices of total employment in the industrial groups concerned). The trends indicated here, based on yearly averages, do not radically differ for the two economies—though the absolute American level is, of course, far higher.



The industrial engineering team understood this, if they do not say it explicitly. One of the functions in which they feel the United States is ahead is precisely in this economic assessment of the degree to which it will pay to mechanise a given operation.

> It is frequently ignored that it is not always economical to instal an expensive machine. . . . Again, what is an economic proposition in America is not necessarily so here; and would probably not be so in, say, India.

"Mechanise" is a fine slogan; in practice it is wiser to calculate whether in fact it would be economic.

Understandably, therefore, the team gives some weight to the argument they heard not only from trades unionists but within management—that the aggressive demand of American unions for higher wages, which make it worth while and indeed essential for American enterprise to invest in ever more labour-saving equipment, has replaced the traditional shortage of labour in the American economy as a spur to mechanisation.

The British team, indeed, is for higher wages as a similar spur to the British economy. It notes with approval that the rising levels of earnings since the war have markedly increased the cost of labour in Britain relative to machinery. One tentative conclusion it draws, indeed, may raise some questions both for the TUC, at present counselling continued moderation, and some of their business critics who are for casting restraint to the winds—except so far as wages are concerned:

> Britain has now become a country with high labour costs. This has not always been understood, and the reaction has sometimes been the wrong one; that is, an attempt to restrain wage increases without giving sufficient thought to the need to increase the efficiency of labour because of high wage costs.

It is fair to say that the postwar policy of attempting to control inflation—not very successfully—deserves less

cursory treatment than that; and there are certainly limits to the extent to which a country dependent upon a competitive world market can seek higher industrial efficiency simply by letting labour become too costly to waste, unless its competitors are engaged in the same happy process of pulling themselves up by their own bootstraps. At the same time, if the relation between high labour productivity and a high ratio of labour costs to machine costs is accepted, some such arguments follow automatically, presuming that higher labour productivity is still considered worth aiming at. And this industrial team, again rightly, would not be prepared to accept the arguments put forward by some economists that some given level of wages, and the given level of labour productivity that it will therefore be profitable to accept, are in some way "natural" to an economy.

★

It has, indeed, been asked by some who have quite reasonably put down disparities between labour productivity in America and Britain as a consequence—to some considerable extent, though not wholly—of the relative costs of labour and machinery in the two economies, whether British industry really then has to worry so much? Does it need to invest so much in extra equipment, power at the worker's elbow, higher output per head, if it can manage without too much difficulty to undercut American costs in a neutral market—and even, on occasion, in America itself? The answer, of course, is that it certainly does. For one thing, the average American income still buys about 70 per cent more material satisfactions than the average British. What is far more significant, and is indeed becoming the main thing about which any country now needs to worry, is the rate of growth. It does not need any strained scrutiny of the graphs to be clear that efficiency in German industry has been increasing more quickly than in Britain; and indeed, it is only in the postwar period that the rate of growth in American output has been roughly matched in this country. The United States, too, is just entering upon an era of automatic control in industry that may bring about a new leap in the total efficiency of its economy. The rate of growth in the economies of Britain's western competitors still, in the long run, looks greater than here, and new competitors are coming in; and it is pertinent to bear in mind that even those competitors do not compare with the apparent rate of growth in the Soviet economy. The going, in more ways than one, is getting harder; and there will be more mouths to feed by fewer muscles in 20 years' time.

No comfortable escape for ostriches, therefore, offers itself from closer study of the productivity about which British industry has been exhorted so continuously and on the whole so rightly since the war. The whole ferment of worried discussion about British efficiency and the improvement of British management, which still continues and with good reason, may have seemed somewhat wasteful of words; but on balance it continues to pay dividends, like the interminable conferences that wreathe every decision in an American company. Another fruitful worry has developed about the amount and application of research. The Anglo-American Council on Productivity and the British Productivity Council that has succeeded it have been throughout at the centre of the ferment; and the imaginative device of Anglo-American comparison, based on the team visits and reports, has done more to lodge it in the minds of British industry than any other single idea. The significance of the visits, of course, goes beyond their immediate publicity value and the immediate action that many of the reports have produced. They jolted the set ideas of a wide range of managers in British industry; and they subjected a useful sample of fairly young and energetic people inside industry, men who are going to matter more, to that shocking and creative impact that the American scene makes on any visitor, and for which no amount of reading or study from afar can even begin to prepare the stranger.

★

Whatever one may guess as the pre-requisites of growth in any economy, it is not much more easy to be confident now than it was five years ago that Britain possesses enough of them. Monopoly is not yet more than a mildly rude word to anyone here. In the United States bigness may be the rule, but competitiveness remains a principle from which no one dare contract out, and a principle that genuinely influences practice. In Britain, cartels are still nearly as respectable as combines, and really aggressive competition is still quite widely regarded as rather vulgar, suitable for cut-price sweetshops.

Some of the social elements that accompany growth in the American economy, perhaps, are appearing in Britain as an incidental development of the Welfare State. A new lower middle-class of high wage earners and salaried people, more akin to the typical American mass consumer than any other group in Britain, is crystallising out, without the privileges to lose by accepting mass standards that some of the older professional and middle classes probably still have and certainly believe they have. Britain is becoming, inevitably, more of a "non-stratified" society than it was. Other accompaniments of the welfare economy, apparent at all levels of society, are less promising. Industry and individual alike, in this country, are inclining to seek security rather than growth in their affairs, which may well mean getting neither. The British industrial economy remains, as before, a mixture containing elements of progress and of decay—both of which are good processes to have going on in an economy. It can be said of the great productivity debate that it has shifted the balance, at least of attention, towards these elements of change, and left rather fewer areas of industry in that comfortably ossified state where it is difficult to discern that there is any change going on at all.

Less Golden Fleece

THE break in wool prices is now a measurable, uncomfortable reality. The opening of the London auctions on Wednesday has roughly confirmed the extent of the fall in prices in Australia. The drop of up to 7½ per cent in merinos and the much smaller fall of up to 5 per cent in crossbreds compared with the close of the London July auctions means that prices of merinos both here and in Australia are 10 to 15 per cent down compared with the end of last season, while crossbred wools remain much firmer with a fall of only about 5 per cent. A modest decline had been expected at the opening sales; the actual fall, though no disaster, is much steeper than had been foreseen, nor is it clear that the limit has yet been reached. Current reports from Brisbane again mention "irregularity" and the total quantity of wool to be offered at auctions the world over next week will be again much higher.

For the sterling area as a whole the implications of a fall in wool prices of this order are important but not lamentable. The decline implies an inroad of a little over £30 million (sterling) into Australia's wool earnings, and of about £9 million into South Africa's. On present form New Zealand's wool cheque escapes almost unscathed for New Zealand produces nothing but crossbred wools; but the New Zealand auctions do not begin until the end of October. Doubtless the results will show themselves first in a favourable nudge for the United Kingdom's terms of trade, as will the drop of £8 to £68 million in Malaya's rubber earnings for the first half of 1954. Both are useful illustrations of the fact that all that glitters in Britain's own terms of trade is not gold to the sterling area as a whole.

To the buyers in the woollen trade the present fall in the market is both a warning and an opportunity. In London this week as in Australia these last two weeks Yorkshire has been using the opportunity and it is to be hoped noting the warning. Bradford has had things nearly all its own way though continental buyers have been present. When buyers come in to buy and get their requirements they tend to place the next order with a limit a few pence lower. In Australia, Bradford has been doing exactly that. In London, where smaller quantities are sold (the offering for the current two weeks is 47,570 bales) the market has not so far been quite so easy. But London normally develops a premium over Australia at this season because if orders for tops or yarn have been booked between the selling seasons, wool can be supplied at the mill from London much more quickly than from Australia. So far London reports no premium though a few buyers recorded that they had bid the same prices that they are currently bidding in Australia without getting all they hoped for.

There seems to be plenty of wool about. Moreover the consuming industry seems to be growing sharply more competitive. Hence the great relative strength of crossbred wools which are cheaper than merinos and of certain types of slipe (the wool taken from slaughtered sheep). It is the better crossbreds and slipe that can be used for top-making in competition with merinos that have been so firm. Hence the relatively sharp fall of 17½ per cent in South African wool, for South Africa produces only fine merinos, though the firmness of the London market for the few South African lots on offer suggests that that fall may have been overdone.

Bradford's hopes of having a much larger say than it has lately enjoyed in the wool markets have thus been fulfilled at the beginning of this season. A combination of coincidences has kept the other main buyers out. Russia is still not on speaking terms with Australia. Japan is desperately short of sterling. American industry can rely for some time yet on the Commodity Credit Corporation's holding (variously estimated at from 58 million to 61 million lb) of domestic wool and there is every indication that the American administration wants that wool sold, at cut prices if need be, before the price support policy changes its form next spring. Meanwhile on a falling market big Yorkshire firms have

DOMINION WOOL EARNINGS*
£ million sterling

	Australian	New Zealand	South African
1950/51	514	98†	92
1951/52	249	75†	50
1952/53	328	67	61
1953/54	316	75	65

* Excluding slipe for which an addition of up to 15 per cent might be appropriate
† New Zealand wool income was lower by roughly one third in 1950/51 than it should have been owing to the waterside strike; it benefited in the following year as delayed shipments were made.
Sources: Economic estimates based on Figures of Commonwealth Economic Committee. Daigety & Co. Committee of London Woolbrokers

bought a considerable quantity of wool. To some extent they have been feeling their way, following each successful bid by another at a lower price. To some extent wool purchases at these prices represent the certainty of profit, since they represent covering against sales of tops made at the higher prices recently ruling.

But Bradford has on occasion backed the market wrongly. The latest figures from the Wool Industry Bureau of Statistics raise the suspicion—no more—that Yorkshire is even now treading on ground less firm than it supposes. The British wool consumption figures for July — the only indication from any quarter of the trend in the wool textile industry since the end of the second quarter of this year—show a fall. British consumption of raw wool in July was 38.6 million lb, indicating an insignificant fall in the

daily rate of barely 3 per cent compared with June, but of about 7 per cent compared with July last year. The decline seems to have been almost wholly on the woollen spinning side of the industry. Top-making (the worsted side) has been scarcely affected. The wool textile industry has certainly not turned sick; most sections of it are still jogging comfortably along, but the change, where one exists, seems to be downwards. But July is a holiday month in which rates of consumption per working day can be misleading. Current trade reports are by no means wholly adverse.

WOOL'S BALANCE SHEET
Million lb. clean weight.
Years ending June 30th.

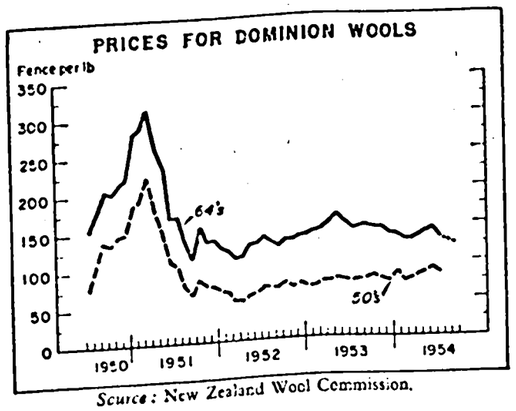
Supply		Disposal	
1951/52			
World Clip	2,351	World Consumption.....	2,120
Opening Trade Stock.	668	Bought for UK stockpile.	46
New Zealand c/f.....	80	Abnormal c/f South America	250
Abnormal c/f South America	90	Closing Trade Stock.....	773
	3,189		3,189
1952/53			
World Clip	2,512	World Consumption	2,540
Opening Trade Stock.	773	Bought for UK stockpile.	50
Abnormal c/f South America	250	Commodity Credit Corp..	48
		Closing Trade Stock.....	897
	3,535		3,535
1953/54			
World Clip	2,515	World Consumption	2,500
Opening Trade Stock.	897	Commodity Credit Corp...	58
Commod. Credit Corp.	48	Trade Stock	902
	3,460		3,460
1954/55			
World Clip	2,550	World Consumption	?
Opening Trade Stock.	902	Closing Trade Stock.....	?
Commod. Credit Corp.	58		
	3,510		3,510

Source: Committee of London Woolbrokers modified.

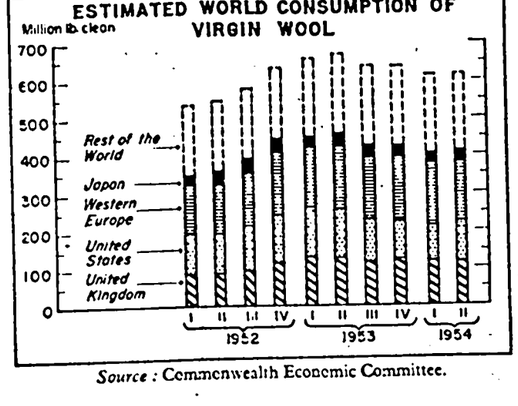
The fall in the raw wool market has been fully accepted. Bradford top prices are down to parity with raw wool. London wool futures, too, have in the last week become a much more usable market than previously. The price has been closely in line with the Bradford 64s B tops, which are the basis of the contract and—what is most important to any intending operator—the backwardation has shrunk to a level at which forward transactions are not impossible. Between the current month and March, 1955, there was on Tuesday a difference of only 2¼d., compared with 6d. a month earlier. If ever there was a time when a hedge against the uncertainties of wool prices was justified, the present is one such, and on several days recently there have been signs of a useful increase in the volume of business in the futures market.

Wool now stands at the cross roads: the consumption is no longer increasing, but public spending power remains high. There are no burdensome surpluses. The whole of the huge surplus of 250 million lb in South America in 1952-3 has moved into consumption with the possible exception of a moderate quantity of carpet quality wool in Argentina. There are now no exceptional stocks outstanding except for the British strategic stock of 96 million lb and the holding of the Commodity Credit Corporation of United States domestic wool. Of the American strategic stock all but an insignificant quantity has been turned into cloth. The British stock will some day need to be rotated, but the Government has always used the best trade advice in its dealings. Russia, too, may again be an influence; the mere fact of the breach with Australia will not prevent Russia from acquiring wool when it is needed—be it through London or through an intermediary such as Poland.

The balance sheet for wool has no bankrupt look. Neither has it the look of an impending boom. A rise in trade stocks while order books were growing longer and the rate of output was growing was justified, but the trade will not wish to increase its stocks now. The indicated world clip plus the Commodity Credit Corporation's stock points to only a small surplus of little more than 100 million lb over current levels of consumption, but a small surplus when stocks are ample can have a marked effect. Next week may well decide the size of the fall. The offerings will be heavy for Perth, Sydney, Melbourne, South Africa and London will all be selling at the same time.



Source: New Zealand Wool Commission.



Source: Commonwealth Economic Committee.

Business Notes

Activity in New Issues

It has not been a week of rising prices, but paradoxically the share market at present shows its best strength when it is not going up. This week the market has held steady in the face of some apathy by investors in the gilt-edged section and of some hustling out of speculators from the gold mines and the stores shares. When markets can pause without sliding away much and when a speculative position can be squeezed out at the end of an account without triggering off a widespread decline investors can feel both that a further advance is not ruled out and that when the time comes for a retreat it should be orderly.

Authorities responsible for the launching of important new issues have judged the market good enough to go straight ahead. Two projects were announced on Thursday. Imperial Tobacco Company announces Treasury consent to the issue of £20 million of unsecured loan stock. It will be a quoted stock and be offered to existing loan stockholders and preference and ordinary stockholders at £98½, with a closing date for applications of September 29th. Dealings will probably begin on October 4th. The stock is redeemable at par at latest on December 1, 1980, the company reserving the option to redeem at any time after December 1, 1975. It is likely that the present issue, like the previous issue of £20 million of 4 per cent unsecured loan stock 1960-70, now standing at about £99½, will enjoy a vigorous response from investors. It will be an attractive holding for the institutions. Including the two unquoted issues of £10 million each of 3 per cent and 3½ per cent 10-year Notes, Imperial Tobacco Company will thus have funded debt of no less than £60 million, and the bank overdrafts which stood last year at £26.9 million will be accordingly reduced. In effect, this bank debt is used by the company to finance the tobacco duty, and the effect of funding a further large slice of it seems to recognise that financing the tax gatherer is one of the company's permanent functions.

The other new issue is a small one of the trustee class. The East Africa High Commission announces an issue of £5 million 4 per cent stock 1973/6 at par. Only £4 million of the money will have to be found in London for £500,000 of the stock has already been placed in East Africa and a similar amount in this country. In comparison for example with the Ceylon 4 per cent 1973/5 also at about par, the stock seems fairly placed and the issue deserves success.

Spending and the Boom

With average earnings in industry up to just under £10 a week for men, and employment at its fullest ever, personal expenditure on consumers' goods and services appears to be at record levels. Preliminary figures for expenditure in the second quarter of the year—which cover about 60 per cent of the total—show that spending on food was at the highest level ever; on clothing and household goods, at record levels for the second quarter of any year; and on "housing"—rent, rates, water rates and repairs—another record. Expenditure on beer showed the usual seasonal rise, but was lower than a year ago. From these preliminary estimates, total personal expenditure on consumption seems likely to make a record for the second quarter.

Last week's manpower figures allow some analysis of the way that labour has been moving during the last twelve months, roughly the period of recovery after the recession first in textiles and later in some sections of engineering. There has been an increase in employment in manufacturing, offset to some extent by a decrease in employment in the basic industries, the Services, public administration, building, and transport. Distribution, as might be expected in a period of swelling home demand following the freeing of many goods from controls, has been increasing its labour force during the year. Within manufacturing, the metal-using trades have had the largest increase in manpower; the textile industries, where the labour force was rising in the second half of 1953, have again lost some labour this year. Unfilled vacancies in industry as a whole are once again far above the total number unemployed. Many companies are complaining that they cannot get enough skilled men, and some of them are short of unskilled men as well; but it is not clear that this is holding back output at all generally. A considerable amount of machinery has gone into British factories since 1951—and it is only in the last twelve months that it has begun to be fully utilised.

Hire Purchase Still Growing

August is a month in which hire purchase transactions normally tail off: people are on holiday; they have done much of their hire purchase buying from their homes in the first half of the year, and the figures do not normally recover until about February. But this year August was the first full month free from Board of Trade control, which was withdrawn in mid-July. The figures, compiled by HP Information, though they cover only part of the field in an incomplete way, suggest that much less than the usual seasonal slackening occurred in August, and hire purchase business was running far ahead of its level in August last year.

The significant fact seems not to be the modest seasonal fall in the number of new cars, motor cycles, and caravans sold on hire purchase but the high sales of second-hand cars and motor cycles in face of the normal seasonal trend. The removal of restrictions, apparently, has not yet stimulated sale of industrial machinery. Altogether HP Information (whose business does not cover such important parts of the field as domestic equipment and radio) reports a fall of about 4,000 transactions compared with the record July figure. The number of transactions reported in August was 54,000, compared with 58,000 in July and with 33,000 in August last year.

NUMBER OF HP CONTRACTS

		Aug., 1953	July, 1954	Aug., 1954
Cars	New	1,461	4,536	3,045
	Used	14,311	25,728	26,208
Commercial Vehicles	New	857	2,032	1,321
	Used	2,006	3,183	2,842
Motor-cycles and sidecars	New	2,730	5,188	4,589
	Used	9,707	13,550	13,436
Tractors	New	295	442	373
	Used	265	326	289
Farm equipment	New	493	568	381
	Used	Nil	193	151
Aircraft and engines	New	Nil	Nil	Nil
	Used	3	2	3
Caravans	New	716	839	659
	Used	121	643	494
Industrial machinery	New	350	421	290
	Used	38	79	30

Source: HP Information.

Guide to the Economy

The annual Blue Book on National Income and Expenditure is by far the most comprehensive and authoritative of the available statistical guides to the course of the British economy since the end of the war; yet its publication on Thursday evoked, as in previous years, only brief public comment. This is, of course, because the latest period to which it relates—the calendar year 1953—had already been broadly mapped by the official estimates given last April in the Economic Survey and in the Preliminary Estimates of National Income and Expenditure.* The new Blue Book, with its 88 pages of closely packed tables and memoranda, revises these estimates in the light of further information and opens out the picture by providing a wealth of detail—notably upon the share of different industries and categories of "income units" in the aggregates of production, consumption, investment and the rest. This year's revisions do not, except at one or two points, significantly alter the broad picture presented by the provisional estimates. The Blue Book is therefore of interest rather to the expert than to the general observer, and then mainly as a document of reference.

The revisions to the estimates of the broad aggregates that make up the national product and income have mostly been slightly upward, but as these revisions generally apply to earlier postwar years as well as to 1953, most of the movements shown from year to year are little changed. The gross national product for 1953 at factor cost (which excludes provision for indirect taxes and subsidies) is revised from £14,719 million to £14,796 million, showing an increase of 7.7 per cent over 1952 (against 7.85 per cent shown by the preliminary estimate). At constant 1948 prices the increase is put at 4¼ per cent. This considerable expansion in total output enabled the real value of consumer's expenditure to rise for the first time since 1950 despite the fact that Government expenditure, fixed investment and stock-building were also rising. Consumer spending rose from £8,844 million in 1952 to £9,352 million at factor cost; the increase in the real value of consumption is put at 4¼ per cent, raising real consumption to almost 1 per cent above that recorded in 1950, the previous peak year. Fixed capital formation at home rose by over 12 per cent in real terms, to £2,333 million at current prices; and there was a sizeable increase in stock-building. The value of the physical increase in stocks is now put (at current prices) at £50 million for 1952 and £201 million for 1953; earlier it had been estimated that stocks remained unchanged on balance in 1952 and rose by only £170 million in 1953.

* Discussed in *The Economist* of April 3rd.

Incomes and Savings

The estimates of personal incomes have also been revised upwards slightly for both 1952 and 1953; the figures for wages and salaries for 1953 are now given separately, and are put at £5,770 million and £2,900 million, respectively. But the estimates of incomes of professional persons and small traders other than farmers, and of receipts from rent, dividends and interest have now been revised downward for 1952. The upshot is that the estimated increase in total personal incomes between 1952 and 1953 is put at £820 million, or 6.4 per cent (at current prices) against the previous estimate of £765 million, or 6 per cent.

The Blue Book thus confirms that personal incomes rose by considerably more than consumer expenditure last year, and that there was accordingly a sizeable increase in the level of personal savings. This is the figure that is acknowledged to be perhaps the least reliable of all the estimates; it includes the depreciation provisions of farmers and small businesses and is calculated as a residual between the total of estimated personal incomes and expenditures. The estimates for all the postwar years have now been revised downward, and the effect is to present a slightly more even pattern. The estimates still show a steep increase in personal savings in 1952, and a further rise in 1953; but the expansion from 1948 to 1951 is now believed to have been fairly steady, whereas earlier estimates had suggested little change betwen 1948 and 1950. The estimates for 1952 and 1953 are revised down from £776 million to £706 million and from £928 million to £870 million respectively. Although these changes emphasise the unreliability of these particular estimates in detail, it is clear that a very considerable increase in personal savings has taken place in recent years.

Profits and Dividends

THE increase in profits and dividends of companies and corporations between 1952 and 1953, on the other hand, now appears more substantial than the provisional estimates showed. The increase in gross trading profits is put at £223 million (to £2,765 million), or nearly 9 per cent, while payments of dividends and interest are estimated to have risen from £839 million to £938 million, or by 12 per cent. This is the largest increase recorded in this item since the end of the war. After provision for taxation this left a total of £1,370 million for the finance of investment —£215 million more than in 1952. The rise in aggregate private savings has, of course, been accompanied by a further large fall in the savings of the central government, whose surplus on revenue account fell from £399 million to £218 million. For the second year in succession it was unnecessary to earmark a large part of estimated total savings to provide for stock appreciation. On the contrary, the fall in stock prices made an extra £75 million of finance available for investment. Stocks are now estimated to have depreciated by £50 million in 1952, whereas previously it had been estimated that the average prices of stocks were unchanged.

The table of "inter-industry" transactions, introduced last year to show the impact of the activities of different industries on one another, is repeated; and the analysis has been usefully extended by a new table showing the ways in which manufactured goods other than food, drink and tobacco products percolate through the economy. It is interesting to note that sales to final consumers account for little more than one-fifth of the total. Exports account for over a quarter, industrial and business uses for a little under a quarter, and fixed capital formation and current government uses for about one-eighth each.

High Demand for Steel

ONCE again, even with steel output back to record levels, there are signs of tightness in the supply of some steel products in the British economy. Output in August was at the rate of about 325,600 ingot tons a week, which is higher than in any previous August, though, as usual, affected by holidays in the industry. But demand for steel, with the continued boom, has increased more than anyone expected; the record-breaking motor industry is making it necessary to import sheet steel, and imports of plate are continuing. The industry is meanwhile exporting about 10 per cent more steel (though less sheet and plate), and could fairly easily export more of certain products if it were not for the rate of home demand. The trough of demand in the world market for steel was passed this spring, and Britain has now followed the European export cartel in raising some export prices. While the American steel industry is content to run at about 70 per cent of capacity without dumping steel abroad—and it shows no signs of changing its mind—demand overseas, as well as at home, has become brisk.

Imports of steel into Britain this year have been brought right down in volume—in July they were running at a rate one-seventh of the average in the scare year of 1952. The industry is not anxious to increase them again to any considerable extent, but would probably do so rather than limit its exports further. Its capacity is still growing, with new plant coming in for various products; and it still prefers to consider imports as a useful balancing factor in handling short-period fluctuations of demand.

Wool Credit Renewed

THE London acceptance credit to the French wool textile industry, which has been running uninterruptedly and successfully since 1947, is to be renewed for another twelve months to cover the wool season for 1954-55. This is a revolving credit that finances French purchases of sterling wool, mainly Australian. It is granted by Lazard Brothers and Co., as head of a syndicate comprising nearly thirty firms in the City, and is extended to a collective organisation, the Groupement d'Importation et de Répartition de la Laine. The credit for the coming twelve months will again be for an amount of £12,500,000, with provision for a temporary increase to £15 million during the peak of the wool buying season.

The measure of security behind the credit is strengthened by two special devices. The first is the earmarking of the foreign exchange proceeds of exports of French woollen manufactures; the second is the arrangement of forward exchange contracts in favour of Lazards to provide the sterling needed to meet the drafts as they mature. The bills drawn under the credit are normally for three months, and the total amount of trade financed as a result of these facilities has ranged between £30 million and £40 million a year in accordance with the regularity with which the credits have revolved and been used. The renewed credit runs from September 15th, and the first bills drawn under it should reach the London market in the very near future. These French wool bills have in recent years been a welcome addition to the still modest turnover of genuine commercial paper in the London discount market.

Comet Resurgent

THE Minister of Supply's statement about the commercial future of the Comet, made on the week-end before the opening of the Farnborough air show, was designed to perform the difficult task of laying to rest any doubt that might still remain about the success of the detailed investigations into the cause of the two Comet disasters over the Mediterranean early this year, and to do this without anticipating the evidence that will be given next month to the Court of Inquiry investigating the accidents. Mr Sandys made two points; his first was that the technical investigations had yielded "clear and positive" results. The infinite thoroughness with which the investigation was conducted, and the volume of resources concentrated upon it has never left this issue in much doubt. The second point

in the Minister's statement amounted to an assurance that with some stiffening of the structure, the aircraft would be able to go back into production and into service without major modification. This is the information for which the industry and the airlines have been waiting, for it affects not only the Comet, but all jet airliners of which there are a number under development.

The broad lesson of the investigations has been that, while the Comet was structurally a sound and sturdy aircraft judged by current standards, the flying conditions under which it was operated were more severe than had been supposed. The concept of "fatigue," a condition created in structural materials by individually insignificant pressure changes persisting over long periods, is a relatively novel one, and the existence of circumstances likely to set up these conditions is not—in the present state of knowledge—always easy to recognise. Now the Comet fuselage will be strengthened, and such disasters will not recur again. The aircraft industry as a whole should, however, now be asking itself whether in view of the Comet findings it might not be desirable when a new airliner goes into service, to build up the flying hours on a prototype—or their equivalent in terms of ground tests—in such a way that the prototype has a comfortable margin in hand over the airliners flying on regular services. This is not an easy target, since nothing builds up flying hours like civil operations. It is a costly process, too, when airliners cost from £500,000 to £1 million; but in this case it might have been a cheap price to pay for experience that in the event has been earned at such bitter cost.

Rhodesian Copper Profits

ONE of the two main groups of copper companies working the Rhodesian copper belt has published its preliminary figures for the year ended June 30th, the Selection Trust group—consisting of Roan Antelope and Mufulira, an unquoted company two-thirds of whose capital is held indirectly by the public through Rhodesian Selection Trust—comes through the difficult transition period with flying colours. Transition to free markets left the companies with a double task—to absorb any reduction in the free market price of copper as compared with the price previously paid by the Ministry of Materials and to refill the supply pipe line to consumers and to the market in London, using supplies that would otherwise have been available for sale.

Both tasks have been accomplished. Sales were restricted at the end of last year, while the pipe line was refilled so that for the whole year Roan sold about 3,500 tons less than its output and Mufulira nearly 4,000 tons less. But production was rising so that Roan's sales were only a little below those of 1952-53 and Mufulira's actually higher. Copper prices in the free market were lower, but by much less than had been feared, so that profits turned out reasonably well. Investors must remember that the present figures make the fourth of the year's quarterly reports. Profit and dividend statements still lie some way ahead and may differ from the figures in the accompanying table, chiefly because the allocation for replacements—always a big item—has not been decided. This year each company has made a provisional provision of £1 million. That figure may not stand, but shareholders are entitled to assume that the provision will at least be less than the £3 million charged by each company last year and then described as "exceptionally high." If there is no revision at all the profits, after providing for replacement, earned by Roan Antelope will be £8.1 million, a fall of only £1.3 million, and those of Mufulira will actually be over £1 million higher at £8.7 million.

SALES AND PROFITS
(£'000s)

Years to June 30	Roan Antelope		Mufulira	
	1953	1954	1953	1954
Copper sales (long tons)	87,307	84,467	72,981	84,467
Sales revenue	21,706	19,480	18,188	19,409
Operating and administrative costs	9,684	11,151	8,131	10,165
Surplus*	12,424	8,899	10,536	9,606
Replacement provision, etc.	3,000	761†	3,000	841†

* After allowing for difference in value of stocks.
† The replacement provision is calculated at £1,000,000, but this provision is subject to revision.

Preference for British Steel

THE recent study by Sir Donald MacDougall and Miss R. Hutt of the actual amount of imperial preference obtained on British exports* had much more than academic interest for the British steel industry. Well over half of all British steel exports go to the Commonwealth, and the industry obtains preferences of one type or another on about half of them. The importance of that preference has naturally been under consideration in the industry during discussions over British association with the European Coal-

BRITISH STEEL EXPORTS, 1953
Proportion Granted Imp. Preference and Av. Margins Granted

Country of Destination	Tonnage	Proportion Granted Preference	Average Margin Granted	
			On tonnage at Specific Rates	On tonnage at *Ad Valorem* Rates
	'000 tons	%	%	%
Australia	126·9	99	3	16
Canada	210·7	96	2	8
Ceylon	20·9	84	–	9
India	65·4	23	3	12
New Zealand	113·6	100	–	18
Pakistan	33·1	34	3	9
Southern Rhodesia	61·4	Nil	–	—
South Africa	109·9	37	2	3
Other Commonwealth	453·3	20	3	9
Total Commonwealth	1,195·2	53	3	13
Other countries*	1,007·6	—	–	—
Total exports	2,202·8	—	–	—

* Including Eire and Burma.
Source: British Iron and Steel Federation.

* *Economic Journal*, June, 1954.

Steel Community, and during the period of rather sharp price competition in the world steel market that seems for the present to have abated. Although the rejection of the European Defence Community has naturally put the whole future of Schumania, and Britain's relations with it, back into the melting-pot of discussion, formal negotiations are still supposed to start this autumn.

The British Iron and Steel Federation, accordingly, has carried out for the country's exports of steel a study similar to the wider one; and its conclusions coincide almost exactly with those of Sir Donald MacDougall and Miss Hutt for British exports in general. As the table shows, some 53 per cent of the steel that goes to Commonwealth countries obtains imperial preference, 12 per cent of it through preferences on a "specific"—£ per ton—basis, and 41 per cent on an *ad valorem* basis. On the total tonnage that it sends to the Commonwealth, the average margin of preference granted is roughly 6 per cent. The chief factor that has tended to reduce this margin since the late thirties is the rising prices of steel products; and international agreements such as GATT have precluded any reversal of this process of narrowing.

Sugar Agreement Difficulties

THE International Sugar Council, acting as physician to the International Sugar Agreement, has been struggling in London this week to save the life of that anæmic baby. As *The Economist* goes to press the bulletin has still to be signed. Diagnosis is not difficult: there is a surplus of sugar and an inadequate power to restrict the supply. Currently the world market price is down to around 3.20 cents per lb and is therefore below the minimum of 3.25 cents prescribed in the Agreement. Indeed the price has recently been as low as 3.05 cents. Yet there are no further powers of restriction. The Council has already cut exports of the big exporters down to 80 per cent of basic tonnages, which is as far as the agreement allows it to go. It has also suggested a voluntary cut down to 75 per cent.

Cure is much more difficult. As the Council's powers now stand, it has to rely on voluntary actions by its members for any further curtailment. The voluntary surrender of some quota has been mooted and Haiti is believed to be able to do that, but when quota is surrendered voluntarily there must always be suspicion that it would never have been used. The segregation of 350,000 tons by Cuba from what would have been exportable is a genuine contribution. And there are the usual hopes of persuading the importing countries to take more imports and draw less upon stock. Time may also be a good physician. Next season's crop should be smaller than the last. Cuba should produce less; the European beet crop may be over a million tons below last year's high figure, and the heavy British stock of Cuban sugar bought to cover the period of the withdrawal of rationing is moving off into exports of refined sugar at a reasonable rate.

Those facts, coupled with a firm intention by the Council to deal severely with next season's smaller crop, seem the best immediate hope. But it remains a question whether a surgical operation will not in the end be necessary. The weakness of any international agreement which imposes on its managers an artificial limit to the extent to which they can impose restriction is likely to be shown up sooner or later. With sugar the weakness has been shown up soon. But to get the limits to restriction removed—to get the powers of the Sugar Council increased—requires action by the governments concerned.

Still Cheaper Polythene

THE plastic polythene is now being produced at a lower price and in greater quantity than ever before. Last week ICI, the sole producers of polythene in Britain, chopped 3d. off its price, which now stands at 3s. 2d. a pound. This is the second cut this year; in May the price was reduced from 3s. 9d. to 3s. 5d. a pound. Between March, 1939, when ICI first put polythene on the market, and 1951, its price dropped steadily from 5s. to 3s. 3d. a pound. But the Korean War more than doubled the price of industrial alcohol, the principal source of the ethylene used to manufacture polythene, and polythene prices jumped to 4s. 3d. a pound. Since then ICI has been able to draw its ethylene from the oil-cracking plant at Wilton, a much cheaper source. Cost reduction has also been helped by greatly improved productivity; reactor throughput is now nearly thirty times as large as in the early days of commercial manufacture.

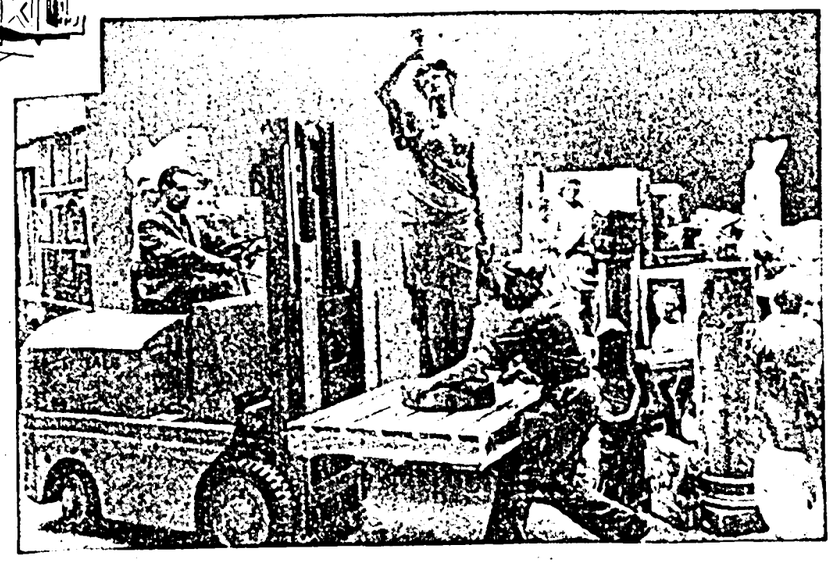
For a long time supplies of polythene were meagre, and even now that output has attained the rate of 20,000 tons a year the plastic is by no means easy to get. The production of polythene by the polymerisation of ethylene at very high pressures and controlled temperatures poses a complex problem in plant engineering; because this equipment is expensive and of little use, as yet, to make any other commercially useful product, increases in capacity have tended to follow rather than jump ahead of demand. Even so, when the new polythene plant at Wilton runs into full production next year, annual output in this country will amount to about 35,000 tons, and plans are already under way for a total capacity of 55,000 tons by early 1957.

This plastic is so versatile a material that ICI has little fear that this increased capacity will not be used. About a third of current output goes into the electric cable industry, where polythene is valued as a highly effective insulation material. Coated with a protective sheath of PVC, polythene cables are used for almost all submarine cables now being laid as well as for surface and other cables. Polythene film and moulded products, which together account for about 40 per cent of total output, are the fields where the biggest developments are expected. With longer runs and cheaper material costs, prices have fallen by about a fifth in the last four years; and diverse applications, from food packages to household and industrial piping, have already been used with success. As a textile, polythene yarn, marketed by Courtaulds under the trade name "Courlene," has been making small but steady progress. It has been used mainly as an interlining for semi-stiff collars and for protective industrial clothing. The latest cut in polythene prices will stimulate processors to continue their own cost reduction; already a few pence have been knocked off the price of "Courlene."

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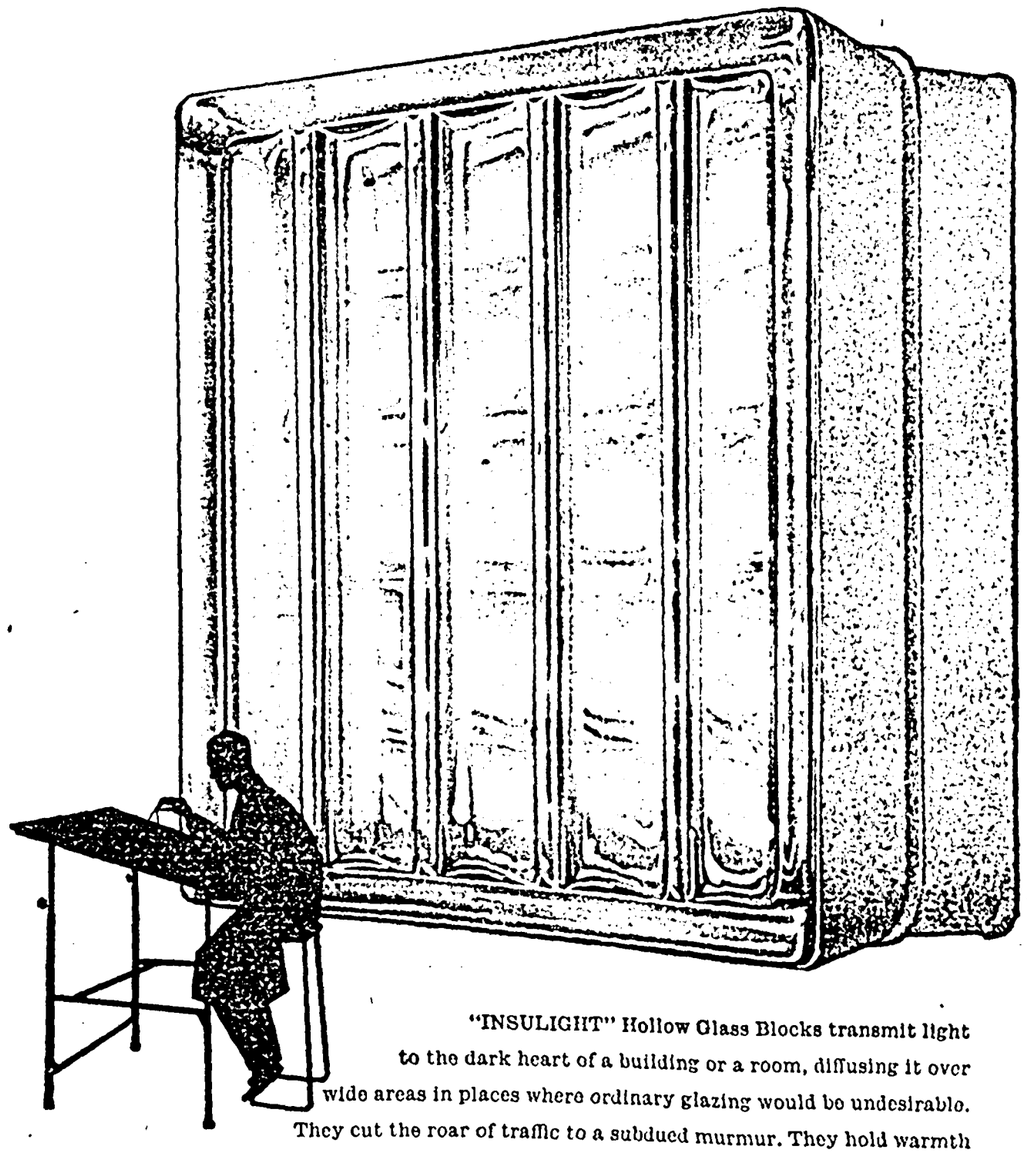
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Danish Payments Crisis

THE Danish Parliament has been recalled from its summer adjournment this week to discuss the government's proposals for meeting the crisis in the balance of payments that has been brewing for some months and has now come dramatically to a head. The reserves of foreign exchange of the National Bank have been falling continuously since October, and by June had already dropped below the bank's short-term foreign liabilities. Denmark's imports exceeded exports by Kr. 875 million in the first seven months of this year, whereas in the corresponding period of 1953 the visible deficit was only Kr. 485 million. This widening trade gap has arisen from the fact that Denmark's export income has risen only slowly (due partly to low prices and partly to lack of adequate outlets for Danish bacon) at a time when there has been an exceptionally large increase in imports, resulting in part from an expansion in agricultural production. Even as long ago as last October the cushion of reserves was inadequate to take the impact of temporary variations in the balance of payments (the "net" reserves of the National Bank stood even then at only Kr.360 million, or roughly £18½ million). This weakness provoked some speculative purchases, which have been further increased on account of the bad harvest.

The crisis is to a large extent attributable to the increase in consumption induced by the tax reliefs and wage increases that came into effect in the spring of 1953. The authorities have recognised this underlying malaise, and are applying disinflationary correctives—a sharp increase in interest rates (the bank rate was raised from 4½ to 5½ per cent in June), a cut in expenditure on public works, increases in direct and indirect taxation, and an attempt to encourage savings through special tax concessions. So far, it is heartening to note, no attempt has been made to meet the external difficulties by imposing new quantitative restrictions on imports. The government is anxious to demonstrate that the crisis is purely temporary and does not deflect it from its aim of following any general European move to convertibility.

Denmark's difficulties have put additional bargaining power into the hands of countries such as Britain that buy Danish produce through bulk contracts. The British Government has recently refused to increase the relatively low price it pays for Danish bacon; and its sales on the home market thus continue to yield substantial profits —from which it subsidises the considerably more costly domestic produce.

Free Scrip from "Three Banks"

THREE more banks—and two of them clearing banks—are taking steps to rearrange their capital resources so as to increase the ratio of paid-up capital to commitments. These are the members of the "Three Banks" group, headed by the Royal Bank of Scotland. As already intimated, the Royal Bank proposes to increase its capital stock to £5,950,000 by a two-in-five free scrip issue to existing stockholders of £1,700,000 of fully-paid stock. It is now announced that the resultant draft upon the published reserve fund, now standing at £4,877,216, will be more than made good by a transfer to that fund of £1,872,784, so that the total published capital resources will be raised from £9,127,216 to £11 million. The dividend for the year 1952-53 was raised from 17 to 18 per cent by an increase in the final payment, and this year's interim has been maintained at the increased average rate of 9 per cent.

The Royal's two subsidiary banks, Williams Deacon's and Glyn Mills, are likewise making free scrip issues (to the parent bank) and are simultaneously raising the amounts of their disclosed reserves. Williams Deacon's will issue £400,000 of "B" shares, raising the total paid-up capital to £2,275,000, and will draw £675,000 from inner reserves, so that published reserve will be raised on balance by £275,000 to £2,275,000. Glyn Mills will issue £140,000 and will on balance raise its published reserve by the same amount, so that capital and reserve will remain equal at the higher level of £1,200,000 each.

New Money for Loraine

THROGMORTON STREET should have whistled "Sweet Lorraine" last week end. The news that the Anglo American Corporation was pumping new money into Loraine Gold Mines in return for a 20s. option on 2,750,000 of its shares sent the prices of the OFS developers up and sent the price of the 10s. shares of Loraine flying up from 15s. 10½d. to 19s. 3d. When Anglo American sets ups a 20s. target most investors in Kaffirs aim at it, just as they peppered the 80s. target for OFSIT a fortnight ago.

The details of the scheme follow the usual complicated pattern of short term money on loan for development and the replacing of these loans by equities as production draws near. The sequence is as follows:

(1) Anglo American and its associates will subscribe for 4,953,372 of Loraine's shares at 20s. each. The proceeds of the issue will pay off the £4,953,372 of 6 per cent notes now held by Anglo American and its associates.

(2) Until January 31, 1955, Loraine will be able to borrow up to £4½ million on loan at 6 per cent from Anglo American. On that date the options to buy 5,500,000 shares in Loraine at 12s. 6d. each will expire. Anglo American will subscribe for any shares not taken up by option holders.

(3) After that date the loan facilities available to Loraine will be reduced to £2½ million.

(4) In return for its further participation Anglo American will be given the option to subscribe at any time up to December 31, 1957, for 2,750,000 shares in Loraine at 20s. each; the loan facilities of £2½ million will be reduced by the amount so subscribed for shares.

So far, £8½ million—£3 million on equity stock and £5½ million on unsecured loan—has gone into the development of Loraine. Under the new arrangements another £6 million will be provided. At the end of all these operations in 1957 Loraine should have just over £14 million of equity stock and only about £550,000 outstanding on unsecured loan. As the average cost of bringing an OFS mine to full production is about £13 million, the new money should see Loraine into full production with comfort. Development

so far has proceeded satisfactorily as there has been no serious faulting and not too much water to hamper operations. Production is expected to begin next March and after that it is hoped that the milling rate will be raised to 100,000 tons a month as quickly as possible. Gold is not the only lure, for there is a good chance that Loraine will join the list of uranium producers.

At Long Last

After years of frustration it is appropriate that United Dominions Trust, whose last issue of new capital was in 1946 when its total assets stood at about £8 million, is the first to slip through the gap recently chopped in the fence around new issues by hire purchase finance companies. UDT includes hire purchase finance among its credit facilities. The ban on these issues did not prevent its growth, for there were many private lenders ready to put money—money which could be withdrawn at short notice—into the profitable business of financing hire purchase contracts. By the end of last March, UDT's assets had risen to over £34 million and "amounts receivable under customers' agreements" totalled nearly £15½ million. Whether in saying "yes" at last Lord Kennet is not signing the death warrant of the Capital Issues Committee, of which he is chairman, is an open question. That Committee's functions are now reduced to a single one—the duty to say "no" to free scrip distributions with reserves resulting from a revaluation of assets.

The Trust's issue takes the form of a "rights" offer to ordinary shareholders of 500,000 £1 ordinary shares at 90s. in the ratio of one new share for every £2 of stock held. Just before this announcement the stock units rose 10s. to 163s. 9d. and on this basis the "rights" are worth 24s. 7d. The directors hope that all being well they will be able at least to maintain the current dividend of 25 per cent on the new capital. The shares have jumped further this week, to 170s., having touched 175s. at one moment.

The cash issue is to be followed—if the Treasury permits—by a capitalisation of £2,500,000 from reserves; there seems now less reason than ever for the Treasury to refuse. From the capitalised reserves the directors intend to make two free scrip issues, though not necessarily at the same time, to ordinary shareholders. Shareholders will be given 1 million fully paid 4½ per cent cumulative preference shares and 1½ million fully paid ordinary shares. They are thus given a true bonus in the shape of the preference shares and what to them must seem a virtual promise that the trust will break with its cautious dividend policy. The need to plough back profits to finance the growth of the business now looks less imperative.

Exports and Quality

Two years ago the British Import Union in Denmark gathered together some of the reactions of Danish customers to the products they were importing from Britain, and its report, containing a variety of complaints, caused some concern in Britain. Although Denmark has a small population it has always been an important market for British goods. There has been much closer attention to Danish needs by British firms since then, according to another survey carried out this year by the Union at the request of the Federation of British Industries. But there are still many complaints.

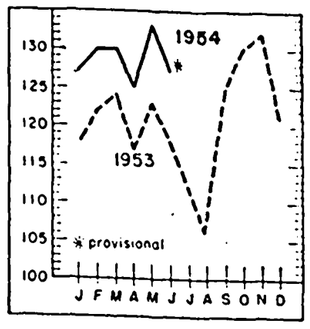
The most common complaints from Denmark, according to this survey, are that:

Apart from top-quality goods calling for traditional British craftsmanship, British prices are seldom competitive;
The quality of cheap mass-produced goods is inferior to that of competitors;
British delivery delays are frequently longer than their competitors, though delivery promises are being better fulfilled;
Some British makers seem reluctant to adapt their products to local market conditions and requirements;
Services before and after delivery are often unsatisfactory;
Packing costs are sometimes much higher than those of continental exporters.

One redeeming feature is that British terms of payment appear to give much more satisfaction now. On the whole, the engineering and chemicals come in for considerably less criticism than textiles. In the last four years the British share of the Danish market has been declining—if the heavy imports of fuel oil, in place of dollar fuel, are excluded. Complaints of bad delivery and inadequate service are too frequently heard—and not only from Denmark—for any exporter to be able to ignore them. But the remarks about quality, in many products other than those of high craftsmanship (electrical goods being specifically excluded as "irreproachable") may jolt one of the most cherished preconceptions of many British people.

Flag Restrictions on Shipping

The shipping lobby in Congress has recently succeeded in having written into the permanent legislation of the United States the principle that 50 per cent of all cargoes moved with the aid of Government funds should be restricted to ships flying the American flag. The President has signed legislation that will considerably extend the





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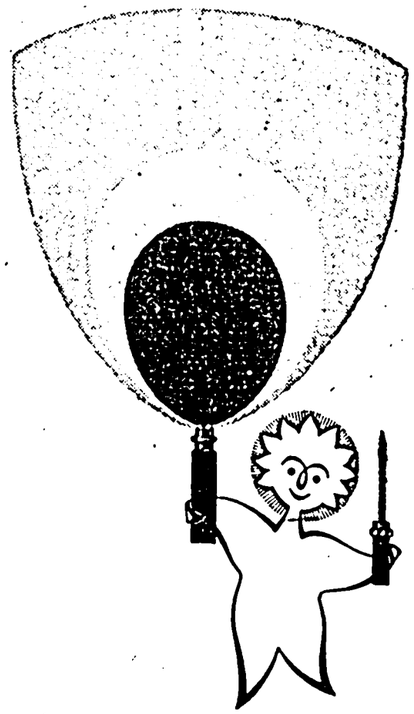
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application of the "fifty-fifty" principle which has hitherto applied to Marshall Aid, Mutual Security Act and similar Government-sponsored shipments, although not without indicating that he may wish to recommend changes. That principle had been reluctantly accepted by the foreign shipowners discriminated against only as a condition of a "gift"; but the new legislation is bound to give rise to much stronger, and possibly official, protests, and both the State Department and the Defence Department have recorded objections to the statute.

Hitherto the principle has been incorporated individually in "aid statutes"; now it is to be universally applied, and cargoes carried in Government-owned ships, such as those of the Military Sea Transportation Service, are not to count towards the American 50 per cent. Further it is to apply to all cargoes financed directly or indirectly with Government funds, apparently even to the sale of surplus farm commodities abroad for local currencies whose convertibility is guaranteed by the Government, as well as to foreign aid cargoes purchased offshore. The immediate effect, in practice, may not be very considerable; but this new American move will do little to help the State Department in its efforts to prevent the spread of similar discriminatory actions on the part of other nations, such as Chile and Saudi Arabia, which can do immense harm to American shipowners as well as those who believe in the conduct of international shipping on a commercial and non-discriminatory basis.

SHORTER NOTE

Monsanto Chemicals (the British company) supports its unchanged interim dividend of 6¾ per cent with the announcement of a sharply increased profit. Subject to audit, net sales for the six months ended June 30th amounted to £6.1 million, compared with £5.2 million in the corresponding half of 1953. Income before tax for the period shows a rise from £488,886 to £887,742, and after tax was £479,545, against £223,665.

Company Notes

JOHN BROWN. The consolidated profit and loss account of John Brown and Company, whose interests range beyond shipbuilding into heavy engineering and machine tools, is an unexciting document. Trading profits show little change for the year to March 31st at £2.2 million and though net profits are slightly up the ordinary tax free dividend has been left unchanged at 7½ per cent. "Satisfactory" and "successful," are the words that the chairman, Lord Aberconway uses to describe the results of the company's subsidiary and associated companies.

The consolidated balance sheet, however has been turned almost inside out following the change in the constitution of the company at the beginning of the financial year. The parent concern's manufacturing and trading interests were then transferred to a new wholly-owned subsidiary, John Brown and Company (Clydebank), so that it became purely a holding company. Largely as a result of this transfer the capital reserves of the holding company have increased from £1,487,759 to £4,292,227 and those of the group as a whole from £1,827,838 to £4,575,015. Part of this increase, amounting to £1,730,000, represents the excess of the transfer value of the assets and business taken over by John Brown (Clydebank) over their original book value. Most of the remainder represents the excess of the sums so far received from the company's colliery properties and investments over the very conservative book values at which these assets stood on vesting day. Since the end of the financial year the company has received another £400,000 from this source, leaving "relatively little" still in that particular kitty. Exactly £500,000 of the capital reserve has been allocated as a specific reserve against the value of unquoted trade investments of £915,000. The chairman explains that these investments are in enterprises in early stages of development; the creation of a specific reserve is thus a matter of business prudence. If these enterprises prove themselves, it is to be hoped that the claims of shareholders will not be forgotten.

	Years to Mar. 31, 1953	1954
Consolidated earnings :—	£	£
Trading profit	2,184,972	2,200,661
Total income	2,355,543	2,378,932
Depreciation	374,660	484,672
Taxation	1,280,282	1,121,352
Net profit	*699,659*	*770,610*
Sundry credits	204,502	16,016
Available income	*904,161*	*786,626*
Ordinary dividends	•323,084	•323,084
Ordinary dividends (per cent)	•7½	•7½
Retained by subsidiaries	229,641	269,836
Added to carry forward	211,731	74,215
Cons. balance sheet :—		
Fixed assets, *less* depreciation	4,821,425	5,258,932
Investments and loans	4,088,301	3,095,989
Net current assets	6,195,339	7,655,223
Stocks	5,670,972	6,058,185
Cash	1,191,505	1,500,101
Capital reserves	1,827,838	4,575,015
Revenue reserves	4,855,250	4,722,000
Ordinary capital	4,307,787	4,307,787

£1 ordinary stock at 41s. 0d. yields £7 2s. per cent.
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Another change in the consolidated balance sheet is the increase in the gross book value of stocks and work in progress from £15,277,142 to £16,453,590. As is usual with shipbuilding companies, John Brown has received part-payment in advance of delivery and these instalments have limited the increase in the net book value of stocks, which have risen from £5,670,972 to £6,058,185. Even so over £1,000,000 of British Government securities was realised to finance the growth in working capital.

This growth is the direct corollary of "well-filled" order books. Shipowners will welcome Lord Aberconway's warning that this "satisfactory state of affairs" particularly in respect of exports cannot continue unless costs are stabilised. He adds that costs are still rising.

★

MUREX. As a metallurgical company, manufacturing carbon-free metals and alloys, Murex is exposed to the danger of rapidly altering prices for its raw materials and of strong competition in overseas markets. When prices are rising, as they were between 1950 and 1952, the company made substantial profits on stocks; though these profits were taxed as if they were true profits, the company was able to set aside £500,000 in a stock contingency reserve. This reserve has been useful; falling prices have brought the inevitable sequel of losses on stocks. In 1952-53 the company lost about £120,000 on its stocks of wolfram, copper and other raw materials and this loss was covered by a transfer out of the contingency reserve. In the latest year, to April 30th last, further losses of about £50,000 were made on wolfram and copper stocks which required a further transfer. The directors do not believe that "any further substantial calls" will be made on the stock reserve for wolfram and copper, but they

	Years to April 30, 1953	1954
Consolidated earnings :—	£	£
Trading profit	889,825	875,070
Total income	925,600	903,697
Depreciation	192,291	198,634
Taxation	311,715	389,834
Net profit	*393,590*	*267,695*
Transfer from stock res.	120,000	50,000
Available income	*513,590*	*317,695*
Ordinary dividends	171,900	181,500
Ordinary dividends (per cent)	15	15
Retained by subsidiaries	71,219	50,777
Replacement reserve	115,000	75,000
General reserve	147,038	...
Added to carry forward	*Dr.2,048*	*Dr.551*
Cons. balance sheet :—		
Fixed assets, *less* depreciation	1,832,508	1,956,878
Net current assets	3,757,455	3,693,561
Stocks	3,731,474	2,890,206
Cash	457,287	737,564
Reserves	2,874,276	2,949,502
Ordinary capital	2,200,000	2,200,000

£1 ordinary stock at 54s. 0d. yields £5 11s. per cent.

do anticipate losses on the stocks of columbite. The fall in prices partly explains why the book value of stocks fell from £3.7 million to £2.9 million, but the decline seems to owe something also to deliberate policy; the directors were content at least "temporarily" to allow stocks to fall below their normal levels.

Throughout the last financial year, deliveries to customers in volume were only slightly below those of 1952-53, but thanks to the decline in prices, the value of sales fell by about 8 per cent, from £12,430,000 to £11,460,000. Profit margins were narrower and there was some decline in the demand for the company's more remunerative products. Hence, trading profits, ignoring the fortuitous element of stock losses, fell from £1,140,000 to £975,000; the ordinary dividend was left unchanged at 15 per cent. Profits may fall again in the current year. Wages have gone up; although exports increased in 1953-54 most of them are described by the chairman as "of an opportunist character and are unlikely to be repeated in the current year"; and while the general level of business remains satisfactory "price competition in some products continues to be severe and selling prices are, on occasion, below economic levels."

★

TRIPLEX SAFETY GLASS. Increases in the production of passenger and commercial vehicles in this country, increases in the export of vehicles and the growth in the requirements of the aircraft industry for toughened glass all contributed to the rise in the sales of Triplex Safety Glass in the year to June 30th. With the growth in sales, selling prices have been kept down, and some further reductions have recently been made. Trading profits have risen from £451,411 to £542,892; the only dark spot is the small loss made by the engineering subsidiary, Stern and Bell. The company has been content to operate with a lower level of stocks, but the increase in debtors (from £639,671 to £719,604) points conclusively to the increase in sales. These results have been achieved in a year in which the company introduced an important change in its principal product, designed to increase the size of particles into which a windscreen will shatter on impact.

Taxation made its call on profits but net earnings rose from £147,117 to £169,854 and the ordinary dividend was increased from 15 to 20 per cent. In deciding upon that increase the directors naturally made it more likely that holders of the 15 per cent preference stock will exercise the rights which will soon become due to convert their stock into ordinary shares. This option which first becomes operative in October seems attractive on the basis of current prices of 30s. for the preference and 33s. for the ordinary.

	Years to June 30, 1953	1954
Consolidated earnings :—	£	£
Trading profit	451,411	542,892
Depreciation	67,804	81,422
Taxation	145,465	209,052
Net profit	*147,117*	*169,854*
Ordinary dividends	53,388	71,184
Ordinary dividends (per cent)	15	20
Retained by subsidiary	46,002	...
Retained by parent company	37,828	88,676
Cons. balance sheet :—		
Fixed assets, *less* depreciation	436,515	544,455
Net current assets	1,222,388	1,237,237
Stocks	740,674	680,688
Debtors	639,671	719,604
Liquid assets	303,256	344,841
Reserves	828,859	919,650
Ordinary capital	647,127	647,127

10s. ordinary stock at 33s. 0d. yields £6 1s. per cent.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950 = 100) Aug. 25, 1953	May 25, 1954	June 29, 1954	July 27, 1954	Aug. 31, 1954	Average Yields (per cent) Aug. 25, 1953	May 25, 1954	June 29, 1954	July 27, 1954	Aug. 31, 1954
2½% *Consols*	85 6	94 1	93 7	95 6	96 8	4 13	3 76	3 78	3 70	3 65
Debenture stocks :										
Industrial	84 1	90 1	90 0	90 0	91 1	4 89	4 57	4 57	4 57	4 52
Investment trust	84 3	91 5	92 0	92 0	92 8	4 89	4 51	4 48	4 48	4 45
Preference stocks :										
Industrial	88 0	93 6	94 0	93 9	94 1	5 15	4 85	4 86	4 84	4 83
Investment trust	85 4	90 5	91 6	92 0	92 7	5 16	4 87	4 82	4 79	4 76
Ordinary stocks :										
Banks	90 8	101 4	101 6	104 8	107 9	4 50	4 35	4 35	4 29	4 17
Industrial insurance	111 1	116 4	120 5	126 3	127 8	5 21	5 01	4 95	4 73	4 72
Investment trust	124 0	162 3	163 8	171 2	179 5	5 57	4 70	4 75	4 55	4 42
Electrical engineering	99 6	120 3	123 8	131 9	140 6	6 05	5 18	5 02	4 79	4 51
Engineering	110 6	143 9	146 5	155 1	161 8	5 34	4 49	4 57	4 35	4 18
Motors and aircraft	112 0	141 2	151 3	160 6	169 6	6 06	5 38	6 08	4 93	4 70
Breweries	95 0	111 0	112 7	113 4	118 6	6 84	6 42	6 41	6 37	6 10
Chain stores	141 1	200 4	205 7	210 2	221 4	4 47	3 74	3 65	3 60	3 41
Cotton textiles	97 6	129 3	123 5	120 1	121 9	6 52	6 49	7 12	7 29	7 19
Household goods	97 3	136 0	137 0	143 2	154 8	5 48	5 24	5 23	4 97	4 75
Rayon	77 1	89 8	82 7	80 3	78 3	4 49	5 01	5 73	5 89	6 18
Tobacco	82 7	84 7	79 6	83 4	99 3	7 13	7 37	8 05	7 66	6 47
Wool textiles	96 0	113 5	117 5	117 6	120 1	6 22	5 90	5 66	5 72	5 68
Chemicals	119 0	157 1	167 2	176 4	180 8	5 19	4 46	4 40	4 18	4 05
Oil	112 2	157 7	160 4	153 4	162 2	6 91	6 10	6 24	6 52	6 27
Shipping	108 4	120 9	121 2	127 3	137 4	7 00	6 32	6 16	5 85	5 43
Total (capital goods)	*107 8*	*136 4*	*140 7*	*147 3*	*154 7*	*5 93*	*5 17*	*5 11*	*4 97*	*4 75*
Total (consumption goods)	*100 6*	*123 8*	*123 0*	*126 8*	*134 8*	*6 13*	*5 74*	*5 89*	*5 77*	*5 41*
Total industrial (all classes)	104 5	131 4	133 1	136 7	144 4	6 08	5 61	5 58	5 48	5 28

LONDON STOCK EXCHANGE

Next Account begins: September 22nd
Next Contango Day: September 22nd
Next Settlement Day: September 14th

On Monday of this week more bargains were marked than at any time since January 30, 1947. Selling of equities was appreciably heavier, but it was well absorbed and the *Financial Times* ordinary share index lost only 0.6 of a point to 171.1; at the end of the first day of the new account it had crept back to 171.4, but Kaffirs and store shares were dull on that day mainly because of cash selling by recent buyers who were unable to arrange "carry-over" facilities. The gilt-edged market remained very quiet and small losses were scattered through the list after some routine selling had taken place. In the foreign market the news from the Far East led to losses in Chinese and Japanese issues; German issues were dull at first in spite of further Swiss buying but began to pick up again later.

In the industrial market, store shares again stole the limelight, but this time it was because their prices were falling in contrast to their recent advance. Selling was reported to have been heavy and prices were marked down sharply. On the first day of the new account a few of the stocks, notably Woolworth, attracted buyers again and their prices moved up against the general trend. The opening of the Farnborough air show brought in buyers for most of the leading aircraft shares, and in their advance they took some of the motor shares with them. The shares of de Havilland, after enjoying a good rise, lost 1s. to 27s. on Wednesday on the news that Air France was claiming compensation for the grounding of its Comets. Engineering shares provided a few good features, notably Platt Brothers which gained 3s. 9d. to 36s. 9d. following the announcement of the dividend and free scrip issue. Small losses were common in the oil market. A good turnover in tea shares was again reported at rising prices. Losses occurred in the Kaffir market when profits were taken, but prices turned a little firmer when the market opened on Thursday. Copper shares remained firm on the Rhodesian Selection Trust reports.

FINANCIAL TIMES INDICES

1954	Security Indices Ord.*	Fixed Int.†	Yields 2½% Cons.	Ord.
Sept. 1	171·1	116·45	3·66	4·66
„ 2	171·4	116·40	3·66	4·65
„ 3	171·7	116·45	3·66	4·64
„ 6	171·1	116·42	3·66	4·66
„ 7	171·4	116·55	3·67	4·65
„ 8	171·4	116·53	3·67	4·65
1954, High	171·9 (Aug. 30)	118·68 (Aug. 11)	Total bargains 1954 Sept. 1	13,565
„ Low	131·1 (Jan. 1)	111·78 (Jan. 5)	„ 2	13,802
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 3	13,979
„ Low	113·9 (May 20)	105·68 (Jan. 5)	„ 6	18,308
			„ 7	15,508
			„ 8	15,039

* July 1, 1935 = 100. † 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Sept. 8 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Sept. 1, 1954	Price, Sept. 8, 1954	Net Yield, Sept. 8, 1954 £ s. d.	Gross Yield, Sept. 8, 1954 £ s. d.
100½	99½	Exchequer 2½% 1955	100½	100½	0 9 7	1 12 11
105⅛	101½	Exchequer 3% '60-63	104½	104½	0 14 9	2 1 1
104⅛	99⅛	Exchequer 3% '62-63	104½	104½	1 3 3	2 10 6
100⅛	99½	Serial Funding 1½% 1954	100 0 4	100 0 4	...	1 11 11
100½	99½	S. Edg. 1½% 1954 Ass. Loc	100⅛	100⅛	1 7 6	2 10 5
101⅛	99⅛	Serial Funding 2½% 1957	101⅛	101⅛	0 13 5	1 15 7
101⅛	99⅛	Serial Funding 2½% 1955	101⅛	101⅛	0 0 6	1 14 5
101⅛	100⅛	Serial Funding 3% 1955	100⅛	100⅛	0 17 1	2 0 3
101⅛	100	War Bonds 2½% '54-56	100⅛	100⅛	1 4 2	2 10 11
101⅛	100⅛	Funding 2½% '52-57	100⅛	100⅛	1 7 9	2 14 1
102⅛	101⅛	War Loan 3½% '55-59	102⅛	101⅛	1 13 6	3 0 8
100½	95⅛	Savings Bonds 3% '55-65	99⅛	99⅛	1 16 8	2 8 10
101⅛	97⅛	Funding 2½% '56-61	101⅛	100⅛	1 18 1	3 5 4
98⅛	92⅛	Funding 3% '59-69	97⅛	96⅛	1 16 1	3 3 7
98⅛	93⅛	Funding 3% '66-68	98⅛	98⅛	2 0 2	3 12 6
97⅛	97⅛	Funding 3½% 1999-2004	97⅛	97⅛	1 10 8	3 8 5
105⅛	100⅛	Funding 4% '60-90	104⅛	104⅛	1 19 0	3 6 9
96⅛	90⅛	Savings Bonds 3% '60-70	95⅛	95⅛	1 16 10	3 0 10
95⅛	90⅛	Savings Bonds 2½% '64-67	95⅛	95⅛	1 16 8	3 11 9
106½	101⅛	Victory 4% '20-76	103⅛	104	1 19 2	3 7 3
95⅛	87⅛	Savings Bonds 3% '65-75	94⅛	94⅛	2 4 11	4 1 10
98⅛	93⅛	Consols 4% aft. Feb. '57	98	98⅛	2 2 7	3 17 5
93	84⅛	Conv. 3½% aft. April '61	90⅛	90⅛	2 2 7	3 7 5
102⅛	99⅛	Conv. 3½% 1969	101⅛	101⅛	1 16 2	3 7 5
100⅛	99⅛	Conv. 2½% 1958-59	100⅛	100⅛	1 0 0	1 18 7
69⅛	63⅛	Treas. 2½% aft. April '75	67⅛	67⅛	2 0 6	3 13 7
82⅛	74⅛	Treas. 3% aft. April '66	80⅛	80⅛	2 0 11	2 14 4
101⅛	92⅛	Treas. 3½% '77-80	100	100⅛	1 18 5	3 10 4
100⅛	92⅛	Treas. 3½% '79-81	100	100⅛	1 18 6	3 10 2
91⅛	85	Redemption 3% '86-96	89⅛	90⅛	2 0 0	3 8 11
92	84⅛	War Ln 3½% aft. Dec. '52	90	90	2 2 11	3 18 6
69⅛	63⅛	Consols 2½%	68⅛	68⅛	2 0 4	3 13 3
96⅛	88⅛	Br. Elec. 3% '68-73	94⅛	95⅛	1 19 2	3 6 10
95⅛	87⅛	Br. Elec. 3% '74-77	94⅛	94⅛	1 19 0	3 6 11
111⅛	103⅛	Br. Elec. 4½% '74-79	108⅛	109	1 15 11	3 12 1
101⅛	93⅛	Br. Elec. 3½% '76-79	101⅛	101⅛	1 17 11	3 9 2
100⅛	100⅛	Br. Elec. 3½% '76-79 'A'	100⅛	100⅛	1 17 11	3 9 2
91⅛	83⅛	Br. Trans. 3% '78-88	90	90	2 1 1	3 10 3
96⅛	88⅛	Br. Trans. 3½% '68-73	94⅛	95⅛	1 19 2	3 6 10
107⅛	100⅛	Br. Trans. 4½% '72-77	106	106⅛	2 0 0	3 11 8
91⅛	84⅛	Br. Gas 3% '90-95	90	90	2 0 0	3 9 5
102⅛	96⅛	Br. Gas 3½% '69-71	101⅛	101⅛	1 16 10	3 8 11
106⅛	99⅛	Br. Gas 4% '69-72	106⅛	106⅛	1 14 4	3 9 4

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (‖) Net yields are calculated after allowing for tax at 9s. 0d. in £. • Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953 High	Low	TRUSTEE STOCKS AND FOREIGN BONDS	Prices, 1954 Jan. 1-Sept. 8 High	Low	Price, Sept. 1, 1954	Price, Sept. 8, 1954	Yield, Sept. 8, 1954 £ s. d.
92	84½	Aust. 3½% '65-69	97⅛	90½	96½	96½	3 11 01
...	...	Ceylon 4% '73-75	100	97	98	99	4 1 61
98⅛	98⅛	N. Zealand 4% '76-78	106⅛	98⅛	104½	106	3 12 31
73	66	L.C.C. 3% aft. 1920	79⅛	71⅛	79½	79½	3 15 6
95	90	Liverpool 3% '54-64	99	95	99	99	3 2 41
81	73	M.Wtr. 'B' 3% '34-2003	87	80⅛	85½	85½	3 12 81
104⅛	101⅛	Agric. Mort. 5% '59-89	104	101⅛	103⅛	103⅛	4 0 61
...	...	German 7%	95	71⅛	80	79	...
159⅛	119	German 5½%	142	102	119	118⅛	...
176	136	Japan 5% 1907	159⅛	132⅛	144½	147	...
		Japan 5½% Conv 1930	186	168⅛	171	171	...

Prices, 1954 Jan. 1 to Sept. 8 High	Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Sept. 1, 1954	Price, Sept. 8, 1954	Yield, Sept. 8, 1954 £ s. d.
			BANKS & DISCOUNT			
60/3	42/3	16 c	5 a Barclays £1	47/6	48/-	4 3 4m
65/6	58/9	14 c	7 a Lloyds £1 '5' (1 pd.)	64/-	64/-	4 7 6
84/6	74/9	8 b	8 a Midland £1, fully pd.	83/-	83/-	3 17 1
83/9	72/7½	8½b	8½a N. Prov. 'B' £5 (1 pd.)	91/6	92/-	3 18 3
92/6	79/6	18 c	10 a Westminster £4 (1 pd.)	120/-	117/6	4 5 0
128/1½	92/-	17½b	7½a Alexanders £2 (1 pd.)	49/-	49/-	3 1 3e
49/6	40/10½	5 b	5 a Nat. Disc. 'B' £1	55/6	53 6	3 14 9
56/9	44/6	5 b	5 a Union Disc. £1	44/6	44/6	3 11 11
46/-	37/6	4 b	4 a Barc. (D.C.O.) 'A' £1	42/-	45/-	6 8 11
45/7½	40/3	7 b	7½a Chart. Bk. of India £1			
			INSURANCE			
16½	9½	50 a	85 b Leg. & Gen. £1, 5/- pd.	15½	15	2 5 6
24⅛	20½	40½b	20 a Pearl £1, fully pd.	22½	22•	4 19 1
45½	35½	105½c	112½c Prudential 'A' £1	43½	43½	4 14 0
			BREWERIES, ETC.			
132/-	125/-	33 b	10 a Bass £1	131/3	132/-	6 10 5
23/3	17/4½	7½b	17½b Distillers £1	22·6•	22/6	4 8 11
38/-	31/-	11 b	8 a Guinness 10/-	37/6	37/6	5 1 4
84/3	60/-	8 a	15½b Whitbread 'A' Ord. £1	78·9	78·9	5 6 8

Prices, 1954 Jan. 1 to Sept. 8 High	Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Sept. 1, 1954	Price, Sept. 8, 1954	Yield, Sept. 8, 1954 £ s. d.
			STEEL & ENGINEERING			
68/3	41/4½	12½c	15 c B.S.A. £1	65/-	67/6	4 8 11
12/4	8/9	5 a	10 b Cammell Laird 5/-	10/6	10/6	7 0 11‖
65/-	49/9	5 a	10 b Guest Keen N'fold £1	64/9	64 4½	4 12 0
38 4½	34/6	...	... Newarts & Lloyds £1	38/-	38/-	...
25 6	22/-	7½b	4 a United Steel £1	25/-	25/-	7 4 0e
41/10½	23/9	2½a	12½b Vickers £1	39 6	39/-	3 16 11e
			TEXTILES			
28/2	21/4	4 a	11 b Bradford Dyers £1	27/-	26/-	7 13 10m
32/4½	24/9	6 a	12 b Brit. Celanese 10/-	27/3	27/-	6 13 4
31 4½	24/8	5 a	10 b Coats (J. & P.) £1	26/9	26/6	5 13 2e
34/-	25/2	6½a	4½b Courtaulds £1	31/9	32/-	5 0 0A
30/3	23/8	20 c	10 a Lancs. Cotton £1	27/9	27/6	5 9 1e
39 9	30 7½	5 a	15 b Patons & Baldwins £1	32/9	31/6	6 7 0m
			ELECTRICAL			
62/9	41/9	7½a	7½b Assoc. Elect. £1	60/7½	60 7½	3 14 3e
48.1½	38/-	2½a	7½b B.T.C. £1	48/-	47/6	4 4 3
57.9	38/6	6½b	4 a English Elect. £1	55/-	55 7½	3 16 8
54.9	37/9	3½a	8½b General Elect. £1	52/6•	51 10½	4 16 6
			MOTOR & AIRCRAFT			
25 4½	18.6	3½a	6½b Bristol Aeroplane 10/-	22/10½	25 4½	3 18 9
12 5½	6/3½	6½b	4 a British Motor 5/-	11/7½	11 10½	4 8 10
30/3	23 4½	7½c	7½c De Havilland £1	26/-	27/9	5 8 1
76/1½	35 9	7½c	12 c Ford Motor £1	70/-	72/-	3 6 8
49 4½	23/10	9 b	6 a Hawker Siddeley £1	43/9	48/3	3 2 2e
100 6	80/6	25 c	25 c Leyland Motors £1	97/6	97/6	5 2 7
81/-	44/-	12½b	12½b Rolls Royce £1	73/9	80/-	2 18 4‖
9/-	5/5½	12 c	12 c Standard Motor 5/-	8/6	8/6	7 1 2
			SHOPS & STORES			
27/6	22/9	22½c	5 a Boots Pure Drug 5/-	27/1½	27/- •	4 3 4
50/6	32/-	15 b	7½a Debenhams 10/-	47/-	48/6	4 2 6m
116.6	53/3	15 a	45 b Gt. Universal 5/-	107/-	113.6	2 12 10
110/-	92/9	5 a	17½b Lyons (J.) 'A' £1	107/6	107/6	4 3 9
63/-	36/11	20 a	45 b Marks & Spen. 'A' 5/-	54/-	62/-	2 12 6r
83/7½	64/-	40 b	20 a Woolworth 5/-	77/6	82/-	3 13 2
			OIL			
16⅛	8⅛	5 a	37½b Anglo-Iranian £1	15⅛	15⅛	2 14 10
100 9	56/9	2½a	15 b Burmah £1	93/1½	96 3	3 12 8
(44⅛	£28	4 a	12 b Royal Dutch 100 fl.	(40⅛	(41	3 1 2f
106/9	77/10	5½a	10½b Shell Reg. £1	99·4½	98 9	4 11 11s
26/1½	17/6	15½b	5½a Trinidad L'holds 5/-	25/-	26/-	3 9 11x
			SHIPPING			
50/-	36/7½	16 c	2½a Cunard £1	47/6	48/6	6 12 0
52/3	30/3	12 c	12 c Furness Withy £1	36/-•	35/-	6 13 4
52/3	31/3	6 a	16 b P. & O. Def. £1	51/6	50 6	4 7 2y
35/3	24/10½	(‖)10c	10 c Royal Mail £1	31/-	30.6	6 11 2
			MISCELLANEOUS			
94/-	67/9	5 a	12½b Assoc. Port. Cem. £1	93/1½	91/10½	3 16 3
65/6	33/-	15 c	16 c Bowater Paper £1	61/3	59/7½	4 0 10m
40/-	33/6	4 a	6 b Brit. Aluminium £1	33·9	35·7½	5 12 3
45/9	36/3	12½c	8½a Brit. Amer. Tob. 10/-	44 6•	44/6	5 2 0
$49½	$38½	3 a	3 a Canadian Pacific $25	$46½	$47	5 17 6
44/-	32/6	35 c	14½a Decca Record 4/-	43/-	43/3	4 0 11g
27/4½	18/5	11½c	14 c Dunlop Rubber 10/-	26/6	27/-	5 3 9
38/10½	26·6	6 a	9 b Imp. Chemical £1	37/6	37/6	4 0 0v
60/3	49/3	11½b	8½a Imp. Tobacco £1	58·6	57/6	6 19 2
$87½	$63½	$2·60c	$2·35c Inter. Nickel n.p.v.	$82½•	$86½	4 17 0
63/3	51/6	7½a	9 b London Brick £1	62/6	62/6	4 9 7m
28/1	21/6	13½b	6½a Monsanto Chemical 5/-	25/3	25/3	3 19 2
83/-	63/6	12½b	3½a Tate & Lyle £1	80/-	80/-	4 0 0
73/-	60/6	7½b	7½a Tube Investments £1	70/7½	72/3	4 3 0
89/3	69/-	17½c	5 a Turner & Newall £1	89/-	88/-	3 19 7
87/7½	57/6	6 a	9½b Unilever £1	86·6	85/6	3 13 8
38/3	30/3	††4½a	7½b United Molasses 10/-	35/-	34/6	6 7 6q
50/-	28/-	Nil c	10½c Cons. Tea & Lands £1	42/-	49/-	7 8 5
2/4½	1,9½	10 c	10 c London Asiatic Rbr. 2/-	1/11½	1/10½	10 13 3
38/6	25·2	5 a	15 b United Sua Betong £1	35/-	34/6	7 14 7‖
			MINES			
8½	5½	20 a	40 b Anglo Amer. 10/-	8½	8½	3 9 7
125/-	68/3	80 a	120 b De Beers 5/- Bearer	123/9	123/1½	8 2 8
127·6	56·6	...	... Free State Geduld 5/-	123/1½	121.3	Nil
76/3	54·9	8½c	10 c Randfontein £1	69/-	65·7½	3 1 0
6/9	4/10½	22 c	24 c Transvaal Con. 4/-	6·2½	6 2½	15 10 0
27½	16½	175 b	50 a Rhokana £1	26½	27½	8 3 8

New York Closing Prices

	Sept. 1 $	Sept. 8 $		Sept. 1 $	Sept. 8 $		Sept. 1 $	Sept. 8 $
Balt. & Ohio	25	26	Am. Smelting	36	36½	Inter. Paper	74½	74½
Can. Pac.	25½	25½	Am. Viscose	35½	36½	Nat. Distill.	19½	20½
N.Y. Cent.	19½	20½	Cal. of Amer.	19½	19½	Sears Roebuck	68½	68½
Pennsyl.	16½	16½	Chrysler	63½	65½	Shell	50½	51½
Amer. Tel.	170½	172	Gen. Elec.	42½	43½	Std. Oil of N.J.	90½	94½
Stand. Gas	14½	14½	Gen. Motor	78½	80½	U.S. Steel	51½	53½
United Corp.	5½	5½	Goodyear	70½	73½	Westinghouse	65½	68
W. Union Tel.	52½	52½	Inter. Nickel	46½	48½	Woolworth	43½	43½

† 1 fee of tax. Yield calculated on gross basis. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Whole year's dividend. (*d*) Yield basis 21%. (*e*) To earliest date. (*f*) Flat yield. (*g*) Yield basis 43½%. (*h*) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 13½% after capital bonus. (*j*) Yield basis 11½%. (*k*) Yield basis 8%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution. (*q*) Yield basis 22% gross. (*r*) Yield basis 32½%. (*s*) Yield basis 22·7% gross. (*t*) Also 24%, not subject to tax, from capital profits. Yield basis 10%. (*u*) Yield basis 12%. (*v*) Yield basis 7½%. (*w*) Yield basis 20%. (*x*) Yield basis 18·18% gross. (*y*) Yield basis 11%, after capital bonus. (*z*) Yield basis 11½%. • Ex dividend.

Statistics

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

British		Overseas	
Prices and Wages	Sept. 4th	Western Europe: Production and Trade	Sept. 4th
Production and Consumption	This week	British Commonwealth	This week
Manpower	Aug. 21st	Western Europe: Prices and Money Supply	Aug. 21st
External Trade	Aug. 28th	United States	Aug. 28th
Financial Statistics	This week	World Trade	July 17th
Industrial Profits	July 17th		

UK Production and Consumption

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

		Unit	Monthly averages			1953			1954			
			1951	1952	1953	May	June	July	April	May	June	July
INDUSTRIAL PRODUCTION												
Index:												
All industries		1948 = 100	117	114	121	123	118	110	125	133	127	115-116[6]
Mining and quarrying		,,	108	109	109	109	105	84	106	116	107	...
Building and contracting		,,	101	103	109	109	109	109	...	...	...	...
Gas, electricity and water		,,	124	127	132	119	116	110	137	132	124	...
Manufacturing, total		,,	121	115	123	127	121	113	127	137	131	...
Engineering, shipbuilding, electrical goods		,,	127	127	129	133	126	115	...	...	...	...
Vehicles		,,	124	124	138	146	134	132	144	160	...	...
Chemical trades		,,	134	132	151	151	145	140	...	...	...	...
Textiles and clothing		,,	116	99	114	118	112	104	117	...	...	...
Food, drink and tobacco		,,	105	103	114	128	120	112	117	125	...	...
BASIC MATERIALS												
Production of:												
Coal (1)	W	'000 tons	4,275	4,332	4,300	4,332	4,159	3,376	4,192	4,504	4,215	3,525
Pig-iron	W	,,	186	202	215	215	211	202	232	251	233	211
Steel, ingots and castings	W	,,	301	310	333	351	338	277	368	374	372	263
Sulphuric acid	M	,,	133·8	125·5	155·3	153·4	147·4	147·3	176·8	169·9	165·5	...
Newsprint	W	,,	10·13	10·32	11·60	13·11	11·86	9·91	11·83	12·47	12·47	...
Electricity (1)	M	mn. kwh	4,964	5,166	5,453	4,856	4,626	4,489	5,634	5,532	5,000	4,972
MANUFACTURING												
Textile production:												
Cotton yarn, single	W	mn. lb.	20·71	14·82	17·97	18·45	17·04	15·46	18·66	20·78	17·36	17·09
Worsted yarn	M	,,	16·61	14·84	18·40	17·14	18·30	18·32	17·87	19·08	18·08	...
Rayon and synthetic fibres, total	M	,,	32·00	23·59	34·94	36·62	35·04	37·06	35·97	37·81	37·38	38·05
,, ,, ,, ,, staple fibre	M	,,	13·93	10·59	16·85	17·57	17·62	18·22	17·25	18·75	19·21	20·81
Cotton cloth, woven	W	mn. yds.	42·3	32·5	35·2	35·8	36·1	25·2	38·2	41·0	39·0	24·7
Wool fabrics, woven	M	mn. sq yds	34·8	31·5	34·3	31·1	34·0	36·0	31·4	33·0	33·2	...
Engineering production:												
Passenger cars and chassis	W	'000s	9·15	8·62	11·44	12·65	11·51	13·21	14·56	16·13	14·71	15·68
Commercial vehicles and chassis	W	,,	4·96	4·66	4·61	4·92	4·33	4·57	4·53	5·14	4·83	4·93
Metal-working machine tools	M	'000 tons	11·09	12·58	12·63	13·15	11·84	11·79	10·75	11·75	11·54	20·81
Internal combustion engines	M	'000 B.H.P.	353	331	311	332	308	332	352	342	333	...
BUILDING ACTIVITY												
Permanent houses completed: (1)												
Total	M	'000s	16·24	19·99	26·56	26·01	26·60	19·93	27·26	31·37	30·97	33·18
For private owners	M	,,	1·88	2·85	5·24	4·61	5·22	2·76	7·01	7·70	7·63	8·03
For local housing authorities	M	,,	13·55	16·11	19·91	20·15	20·15	16·03	18·19	21·61	21·10	20·16
Other	M	,,	0·81	1·03	1·41	1·25	1·23	1·15	2·07	2·06	2·24	1·92
WHOLESALE SALES (1)												
Textile houses:		Av. value										
Total home sales		1950 = 100	104	90	95	91	69	67	99	99	75	67
Women's and children's wear		,,	100	90	96	94	65	66	102	92	72	65
Men's and boys' wear		,,	104	82	91	92	78	70	99	88	77	66
Piece-goods		,,	103	68	66	67	51	65	65	61	52	62
RETAIL SALES (1)												
Large retailers:		Weekly										
All merchandise		av. value	109	117	124	126	121	124	126	128	129	...
Clothing and footwear		1950 = 100	110	110	113	126	109	117	123	130	123	...
Household goods		,,	108	102	110	111	95	113	111	118	111	...
Independent retailers:												
Clothing and footwear		,,	100	95	94	109	89	101	99	103	98	...
Household goods		,,	112	109	120	125	105	111	117	123	111	...
STOCKS												
Basic materials:												
Coal, distributed (1) (4)		'000 tons	...	15,809	17,625	13,475	14,731	15,333	12,511	13,359	14,691	15,234
Steel		,,	640	817	1,112	1,006	1,024	1,056	1,029	1,003	1,098	...
Copper (5)		,,	113·4	132·0	55·3	182·5	185·9	198·6	60·1	65·3	68·0	...
Sulphur		,,	93·4	211·8	66·8	160·5	159·4	142·8	70·4	68·4	79·8	...
Newsprint		,,	109·9	189·7	110·6	157·9	149·0	143·1	95·0	93·6	...	...
Textiles:		Av. value										
Wholesale houses, total (1)		1950 = 100	123	74	89	87	89	99	114	112	110	117
Large retailers, clothing and footwear (1)		,,	106	92	102	110	108	109	126	127	121	...

(1) Great Britain. (2) Provisional estimate. (3) Excluding government stocks from August, 1953. (4) Excluding stocks held by industrial consumers with an annual consumption of less than 1,000 tons.

British Commonwealth

PRODUCTION OF FUEL AND POWER (1)

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Pakistan	Australia	Canada	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1938	973	805	2,362	1,526	72	...	363	2,168	...	...	478
1952	1,617	1,153	3,025	2,302	679	14·7	975	5,149	516	252	1,044
1953	1,535	1,032	2,987	2,362	897	15·8	1,079	5,457	560	286	1,112
1954, February	1,454	1,077	3,056	2,118	1,011	6·0	1,020	5,153	551	258	1,051
,, March	1,810	951	3,071	2,429	822	...	1,181	5,766	594	297	1,188
,, April	1,549	871	...	2,349	714	...	1,126	5,653	613	297	1,158
,, May	1,707	794	...	...	950	...	...	5,929	...	326	...
,, June	...	859	...	...	...	...	...	...	...	...	...

PRIMARY PRODUCTION (2)

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1938	17·7	17·7	4·2	30·0	5·31	100	96	78	25	132·7	394	1,013·4
1952	17·2	25·1	8·0	48·7	5·24	137	275	132	103	81·9	373	983·3
1953	16·0	28·4	7·8	47·9	5·20	171	306	126	106	89·7	339	994·7
1954, March	21·0	29·6	4·5	42·1	6·88	179	223	147	117	101·4	369	1,074·2
,, April	22·3	32·5	7·2	40·2	6·29	177	228	129	114	87·0	359	1,058·9
,, May	21·5	29·0	5·3	46·3	6·23	187	232	128	120	...	...	1,091·0
,, June	20·1	28·6	7·7	43·5	5·14	166	...	...	110	...	...	1,092·7
,, July	...	...	8·0	54·0	...	...	...	...	...	...	...	1,126·2

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. C$		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1938	10·6	11·8	56	71	...	...	4·62	4·76	...	...	7·97	2·71
1952	87·5	55·7	336	363	550	482	22·96	19·98	178·3	167·4	34·83	28·02
1953	42·5	70·9	365	348	471	440	16·01	19·60	112·6	125·8	35·45	26·88
1954, February	45·4	58·0	293	280	400	408	20·00	26·80	94·9	98·7	34·30	27·20
,, March	66·9	85·9	353	321	495	466	17·90	25·40	69·0	129·4	43·30	30·70
,, April	52·1	65·7	348	298	477	315	...	25·30	56·9	120·8	37·10	26·00
,, May	60·2	58·5	366	364	514	384	...	...	...	...	...	...
,, June	...	...	...	...	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES (4)

	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia	Canada	India	New Zealand	S. Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1948 = 100						
1938	214	220	485	41	259	72	66	35	72	...	68	71
1952	944	1,864	1,729	120	381	167	121	105	128	101	126	133
1953	...	1,827	1,765	204	293	183	120	108	134	112	130	137
1954, March	...	1,832	1,828	255	294	188[6]	120	104	139[6]	112	131	137
,, April	...	1,817	1,827	268	303	...	120	...	...	111	132	138
,, May	...	1,833	1,824	286	314	...	120	...	...	...	132	138
,, June	...	1,870	1,809	297	334	...	121	...	...	...	...	138
,, July	...	1,900	...	...	314	...	...	...	...	...	...	...

(1) Petroleum production in Canada in 1938 includes natural gasoline. 1938 figure of electricity production in Australia was for 12 months ended June 30th; figures for New Zealand represent about 87 per cent of total generation. (2) Copper and tin refer to metal production. (3) General trade (including re-exports) except for Canada, which is special trade only. Imports are c.i.f. except for Australia, Canada and S. Africa which are f.o.b.; exports are f.o.b. Trade for India and Pakistan includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia and Pakistan 12 months ended June 30th. (4) Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for Pakistan is based on 12 months ended March, 1949, as 100; for S. Africa and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. Annual figures for Australia are for year ended June 30th. (5) Average for first quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended September 4th there was an "above-line" deficit (after allowing for Sinking Funds) of £20,910,000 compared with a surplus of £15,622,000 in the previous week and a deficit of £23,950,000 in the corresponding period of last year. This raised the cumulative deficit to £129,678,000 (£207,562,000 in 1953-54). Net expenditure "below-line" absorbed £17,299,000 bringing the total cumulative deficit to £301,946,000 (£409,149,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Sept. 5, 1953	April 1, 1954 to Sept. 4, 1954	Week ended Sept. 5, 1953	Week ended Sept. 4, 1954
Ord. Revenue					
Income Tax	1830,000	419,093	427,932	21,036	23,146
Sur-tax	132,000	29,700	28,600	600	600
Death Duties	164,375	71,700	79,600	2,500	2,600
Stamps	55,000	23,100	29,400	1,000	1,200
Profits Tax & E.P.T.	172,000	88,500	71,200	6,900	1,800
Excess Profits Levy	60,000	27,950	38,900	1,500	1,000
Special Contribution and other Inland Revenue	1,000	630	630	50	50
Total Inland Rev.	2384,375	660,473	669,262	33,586	30,396
Customs	1062,500	455,329	474,177	20,622	20,844
Excise	719,000	323,443	335,915	5,465	18,955
Total Customs and Excise	1781,500	778,772	810,092	26,087	39,799
Motor Duties	77,000	13,143	14,538	279	257
P.O. (Net Receipts)	...	1,800	8,150	1,200	Dr. 2,550
Broadcast Licences	21,000	4,750	5,750	—	—
Sundry Loans	24,000	19,234	9,158	8,694	28
Miscellaneous	245,000	51,595	61,057	2,000	53
Total	4532,875	1529,767	1578,007	71,846	67,883
Ord. Expenditure					
Debt Interest	570,000	262,152	257,235	33,853	29,709
Payments to N. Ire. Inland Exchequer	51,000	20,848	18,878	2,192	—
Other Cons. Fund	10,000	4,397	4,195	7	14
Supply Services	3855,399	1434,392	1410,823	55,500	54,800
Total	4486,399	1721,851	1691,131	91,552	84,522
Sinking Funds	46,000	15,561	16,554	4 238	4,370
"Above-line" Surplus or Deficit	—	207,562	129,678	2,3950	20,910
"Below-line" Net Expenditure	—	201,587	172,268	5,008	17,299
Total Surplus or Deficit	—	409,149	301,946	28,958	38,209
Net Receipts from:					
Tax Reserve Certificates		103,758	178,030	14,634	13,809
Savings Certificates		9,800	5,200	400	700
Defence Bonds		- 25,734	- 7,686	- 651	238

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
Sept. 5	3,370·0	1,414·0	213·2	...	5 003·2
1954					
June 5	3,340·0	1,274·1	278·9	...	4 893·1
" 12	3,320·0	1,312·8	274·6	...	4 927·3
" 19	3,300·0	1,372·1	296·1	...	4 968·2
" 30	4,700·0		268·6	3·3	4 971·8
July 10	3,290·0	1,412·5	269·2	...	4 972·7
" 17	3,260·0	1,411·6	267·2	...	5 038·8
" 24	3,270·0	1,492·2	241·6	...	5 043·9
" 31	3,270·0	1,495·5	263·1	...	5 014·7
Aug. 7	3,240·0	1,447·7	245·3	...	5 013·0
" 14	3,240·0	1,451·3	272·5	...	5 003·6
" 21	3,270·0	1,495·5	279·0	...	5 044·5
" 28	3,260·0	1,547·0	267·5	...	5 074·3
Sept. 4	3,250·0	1,595·8	260·4	...	5 126·2

THE MONEY MARKET

CREDIT remained generally short in Lombard Street in the week covered by the Bank return. Some official help, granted indirectly through the banks, was necessary on Thursday of last week, despite the payment of some £29 million on the unconverted portion of the National Defence Loan. On the following two days market supplies of credit were adequate for demands, but this week conditions again became stringent. Considerable help was given by the authorities on Monday, again indirectly, while on Wednesday a number of houses were nearly forced "into the Bank." Day to day money was taken up to 3 per cent.

At last Friday's Treasury bill tender the offer was raised by £10 million to £270 million; and total applications fell by £24 million from their high level at the previous tender, to £398.6 million. The upshot was that although the market maintained its bid at £99 11s. 11d. per cent it secured an increase in its allotment from 47 to 62 per cent—the highest since early July. At yesterday's tender the offer remained at £270 million.

The price of gold on the London market rose steadily during the week covered by the Bank return; on Tuesday the price at the fixing reached a new peak of 250s. 1½d., and on Wednesday it rose further to 250s. 2d.

The Bank return shows a reflux of currency of only £2.2 million in the week to Wednesday last. Bankers' deposits fell by £2.2 million to £265.5 million.

LONDON MONEY RATES

	%
Bank rate (from 3½%, 13/5/54)	3
Deposit rates (max)	
Banks	1½
Discount houses	1½
Money—Day-to-day	1½-3
Short periods	1½-1⅝
Treas. bills 2 months	1⅛
3 months	1⅛
Discount rates	
Bank bills: 60 days	1⅞
3 months	1⅞
4 months	1⅞-1⅝
6 months	1⅞
Fine trade bills:	
3 months	2⅛-3
4 months	2⅛-3⅛
6 months	3 -4

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	Sept. 10	Sept. 1	Sept. 8
Issue Department:			
Notes in circulation	1,452·0	1,649·9	1,641·7
Notes in banking dept.	48·4	25·5	27·8
Govt. debt and securities*	1,496·8	1,671 2	1,671 2
Other securities	0·7	0·8	0·8
Gold coin and bullion	3·9	3·4	3·4
Banking Department:			
Deposits:			
Public accounts	15·1	14·7	18 3
Treasury special account	30·5	3·6	3·6
Bankers	266·0	268·7	265 6
Others	65·9	67·8	68·3
Total	377·5	352·8	351·8
Securities:			
Government	324·2	319·5	318·4
Discounts and advances	5·8	9·5	7·1
Other	16·0	14·8	16·7
Total	346·0	343·8	340·8
Banking department reserve	49·9	27·7	29 8
"Proportion"	13·2	% 7·8	% 8·8

* Government debt is £11,015,100, capital £14,553,003. Fiduciary issue reduced from £4,700 million to £3,675 million on September 1, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment % d	Allotted at Max. Rate* %
1953					
Sept. 4	300·0	394 6	300·0	47 7·43	66
1954					
June 4	270·0	414·3	250·0	52 11·61	66
" 11	260·0	418·3	250·0	52 3·86	67
" 18	260·0	400·4	250·0	51 7·67	66
" 28	260·0	426·0	260·0	52 1·48	58
July 2	270·0	384·0	270·0	52 3·41	60
" 9	270·0	396·2	250·0	51 5·90	68
" 16	240·0	433·1	240·0	51 2·27	54
" 23	230·0	423·1	230·0	51 2·52	54
" 30	240·0	414·2	240·0	52 2·83	58
Aug. 6	240·0	397·6	240·0	51 *3·09	46
" 13	250·0	387·5	250·0	51 10·86	50
" 20	260·0	398·2	260·0	52 2·66	80
" 27	260·0	422·7	260·0	52 3·19	67
Sept. 3	270·0	398·6	270·0	52 4 02	63

* On Sept. 3rd tenders for 91 day bills at £99 11s. 11d. secured about 62 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £270 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: Sept. 8	Market Rates: Spot: Sept. 3	Sept. 3	Sept. 4	Sept. 6	Sept. 7	Sept. 8
United States $	2·78-2·82	2·80-2·80⅛	2·80-2·80⅛	2·80-2·80⅛	2·80⅛-2·80⅜	2·80⅛-2·80⅜	2·80⅛-2·80⅜
Canadian $		2·72-2·72⅛	2·72-2·72⅛	2·72⅛-2·72⅜	2·72-2·72⅛	2·72-2·72⅛	2·71⅞-2·71⅞
French Fr.	972·65 987·35	977-978	977-978	977-978	977-977⅝	978 978⅛	977-978
Swiss Fr.	12·15⅛-12·33⅛	12·20-12·20⅛	12·20-12·20⅛	12·20-12·20⅛	12·20-12·20⅛	12·20-12·20⅛	12·20-12·20⅛
Belgian Fr.	138 95 141·05	139·75-139 80	139·75-139 80	139·75-139 80	139·75-139 80	139 80 139 85	139 90-139 95
Dutch Gld.	10 56-10 72	10 61⅛-10 62⅛	10 61⅛-10 62⅛	10 61⅛-10 62⅛	10 61⅛-10 61⅝	19 61⅛-19 61⅝	10 61⅛-10 61⅝
W. Ger. D Mk.	11 67⅛-11 84⅛	11-72⅛-11-72⅝	11-72⅛-11-72⅝	11-72⅛-11-72⅝	11-72⅛-11-72⅝	11-72⅛-11-72⅝	11-72⅛-11-72⅝
Portuguese Esc.	79 90 81·10	79 90 80 05	79 90 80 05	79 90 80 05	79 90 80 05	79 90 80 05	79 90 80 05
Swedish Kr.	14·37⅛-14·59⅛	14 51-14 51⅛	14 51-14 51⅛	14 50⅞-14 51⅛	14 50⅞-14 50⅝	14 49⅞-14 49⅝	14 48⅞-14 49
Danish Kr.	19 13⅛-19 44⅛	19 42-19 42⅛	19 42-19 42⅛	19 42-19 42⅛	19 42-19 42⅛	19 41⅞-19 41⅝	19 41⅞-19 41⅝
Norwegian Kr.	19 65 20·15	20 01⅛-20 02⅛	20 01⅛-20 02	20 01⅛-20 02	20 01⅛-20 02	20 01⅛-20 02	20 01⅛-20 02

One Month Forward Rates

	Sept. 3	Sept. 4	Sept. 6	Sept. 7	Sept. 8
United States $	dc. pm-par Par-1c. dis	dc. pm par Par-1c. dis	dc. pm par Par-1c. dis	dc. pm-dc. dis Par-1c. dis	dc. pm-dc. dis Par-1c. dis	dc. pm-dc. dis Par-1c. dis
Canadian $	3-6 dis	3-6 dis	3-6 dis	3 6 dis	3 6 dis	3 6 dis
French Fr.	1c. pm par	1c. pm par	1c. pm-par	1c. pm par	1c. pm par	1c. pm-par
Swiss Fr.	Par-½ dis	Par-½ dis	Par-½ dis	Par-½ dis	Par-½ dis	Par-½ dis
Belgian Fr.	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm par	1c. pm par	1c. pm-par
Dutch Gld.	½pf pm-½pf dis	½pf pm-½pf dis	½pf pm-½pf dis	½pf pm-½pf dis	½pf pm-½pf dis	½pf pm-½pf dis
W. Ger. D Mk.	½pf pm-½pf dis	½pf pm-½pf dis	½pf pm-½pf dis	½pf pm-½pf dis	½pf pm-½pf dis	½pf pm-½pf dis
Swedish Kr.	Par-3c dis	10 pm-1 dis	Par-3c dis	Par-3c dis	Par-3c dis	Par-3c dis
Danish Kr.	10 pm-10 dis	10 pm-1 dis	13 pm-15 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis
Norwegian Kr.						
Price (s. d. per fine oz.)	249/10	249/10⅛	...	250/0	250/1⅛	250/2

Gold Price at Fixing

SECURITY AND *MORE*

What should you look for in an investment? First, *security* . . . the safeguarding of your capital, without worry about fluctuations in value. Next? As good an *income* as possible, paid to you regularly. You get both—security *and more*—in City Prudential Building Society. Your money earns

2¾%

INCOME TAX PAID BY THE SOCIETY
(EQUIVALENT TO 5% ON AN INVESTMENT TAXED AT THE STANDARD RATE)

Interest accrues from the day of investment; and there are facilities for prompt withdrawal. An investment booklet will be sent to you on request.

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ASSETS EXCEED £6,000,000

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And at BIRMINGHAM, BRADFORD, BRIGHTON, LEEDS, LIVERPOOL, MANCHESTER



Liverpool and Birkenhead . . .

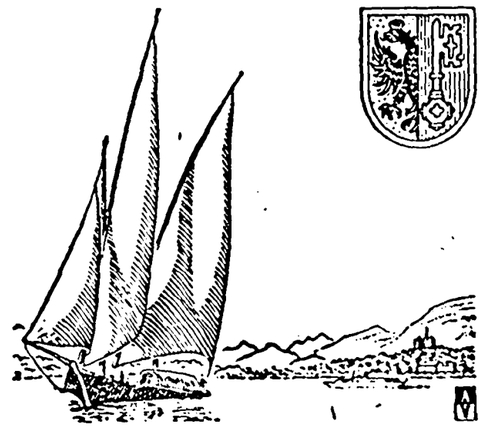
stand at the import and export gateway to the great industrial regions of England.

Martins Bank, with its Head Office in Liverpool, offices in London, and a network of nearly 600 branches covering the important provincial cities and towns of England and Wales, is organised to assist industrial and commercial enterprises large and small.

MARTINS BANK LIMITED

London District Office: 68 Lombard Street, E.C.3
HEAD OFFICE: WATER STREET, LIVERPOOL, 2
Total Assets as at 30th June, 1954, £343,754,026.

Perhaps you didn't know that GENEVA



was such a great international banking centre during the 18th Century, that, in view of the loans made to France alone, the title "Bankers to the Kings of France" bestowed on Geneva's Bankers was more than justified.

But everybody knows

however, that since then, Geneva has become a city of great international importance. The Geneva Branch of the Union Bank of Switzerland is always prepared to place its vast experience at your disposal.

UNION BANK OF SWITZERLAND

HEAD OFFICE: ZURICH, Bahnhofstrasse 45

UNION DE BANQUES SUISSES
SCHWEIZERISCHE BANKGESELLSCHAFT

OVER 30 BRANCHES THROUGHOUT SWITZERLAND

Capital, fully paid	Swiss Francs	80,000,000
Reserves	Swiss Francs	65,000,000
Total Assets	Swiss Francs	2,169,495,757

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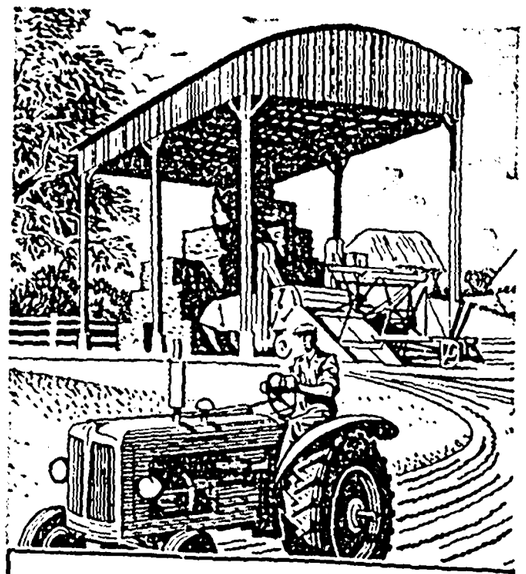
Capital Authorised	£15,000,000
Capital Subscribed	£12,000,000
Capital Paid-up	£7,000,000
Reserve Fund	£7,000,000

10 CLEMENTS LANE, LOMBARD STREET and 77 KING WILLIAM STREET, LONDON, E.C.4.

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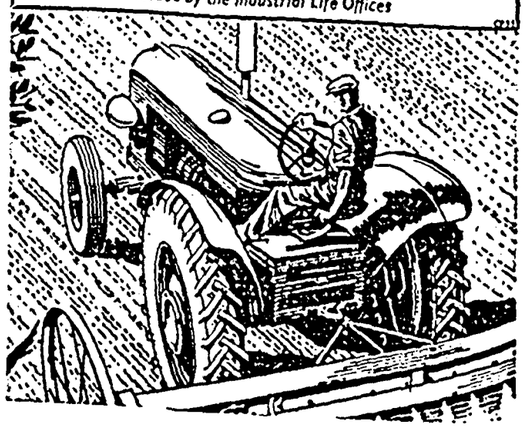
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RESERVE (Banking Dept.)	Rials 491,500,000.00
RESERVE (Issue Dept.)	NIL

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MR. ALI ASGHAR NASSER.

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•

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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COMPANY MEETINGS

PINCHIN, JOHNSON & ASSOCIATES, LIMITED

SATISFACTORY RECOVERY IN TRADING PROFIT

DEVELOPMENT AND EXPANSION CONTINUED

MR G. R. T. TAYLOR'S STATEMENT

The annual general meeting of Pinchin, Johnson & Associates, Limited, was held on September 8th at the Connaught Rooms, Kingsway, W.C.2.

The following is the statement of the Chairman, Mr G. R. T. Taylor, circulated with the report and accounts for the year ended March 31, 1954.

It is with pleasure that your directors report a substantial increase in the net profits of the parent company and in the consolidated net profits of the group.

Net profits of the parent company for the year ending March 31, 1954, were £1,144,327 compared with £872,719 for 1952/3, whilst the consolidated net profits at £1,624,572 compares with £1,256,400 for the previous year.

Taxation remains a heavy burden and absorbs 57 per cent of the consolidated net profits of the year, i.e. £929,546. After deducting profits attributable to minority shareholders of subsidiary companies, the parent company's proportion of the 1953/4 consolidated net profits is £551,180 against £422,496 for the preceding year.

You will notice that a liberal portion of the subsidiary companies' profits has been retained by them. This is desirable as the retention will assist some of your overseas companies to finance from their existing resources the building and plant extensions now in hand, and will minimise their calls for further capital.

From the parent company's balance sheet, set out on pages four and five of the report, you will observe that the value of stocks has again been reduced. Part of the reduction is due to the fall in the level of prices during the financial year, whilst the improvement in the supply position of some raw materials permitted smaller quantities to be carried without the danger of retarding our production programmes.

Cash, short-term corporation loans, Government securities, and tax reserve certificates held by the parent company again increased, being £2,361,591 at end of March, 1954, compared with £1,818,828 at the end of March, 1953. A large proportion of the cash balances is on deposit and subject to withdrawal at short notice.

The consolidated balance sheet figures include for the first time the assets and liabilities of your Canadian subsidiary company, so the figures are not truly comparative with those of the preceding year. You will note from this document that the item "Bank Loans and Overdrafts," relating entirely to overseas companies, has been reduced from £912,959 to £417,846. The easier raw material position was the main factor responsible for the reduction in the combined stocks from £5,201,934 to £4,031,695.

During their last financial year, the Australian and New Zealand group issued further debentures, the total now outstanding amounting to £409,214. Some of these companies are expanding steadily and continuously and have large capital commitments to meet during the next two or three years. It was therefore considered desirable to finance part of their capital expenditures by debentures redeemable between 1967 and 1972, the rate of interest payable thereon varying between 4½ per cent and 4¾ per cent per annum.

Shareholders' Funds at £8,278,501 reached record figures, increasing by £242,254 over the previous year. Part of the increase amounting to £77,146 arises from direct transfers to reserves, including the capital profit from the disposal of the Australian Chemical Company referred to in my statement last year, and the balance of £165,108 are retained profits dealt with through the consolidated profit and loss account.

The consolidated net profit figures for the year ending March 31, 1954, also incorporates the results of the Roxalin Company of Canada, Limited. You will be interested to know that we received a modest initial dividend from the Canadian Company although their profits were small, due mainly to large expenditures incurred in developing the manufacture and sale of new products. I am confident that your Canadian associates will materially increase their earnings in the future.

Your directors recommend the payment of a final ordinary dividend of 17½ per cent, less tax, making a total of 25 per cent for the year, less tax. If this proposal is adopted, the balance of undistributed profits to be carried forward in the parent company's profit and loss account will increase by £63,255 to £564,090.

GENERAL REVIEW

Competition in the industry remains keen, but the parent company was able to record an increase in the volume and value of sales for 1953-4 over the comparative figures for the previous year.

Your directors are of the opinion that the results are satisfactory, your company's sales and profit figures being surpassed only in 1951-2, a year of inflationary conditions.

During the period under review it was not possible to achieve any material reduction in costs. Lower prices for some raw materials were offset by increases in production and other expenses, the net result being that profit margins for each unit of output increased only fractionally over the margins of the previous year.

In general, the easement in the supply of raw materials has continued, but the difficulty of obtaining titanium pigments has persisted in retarding our full production programme. A contraction of demand was experienced in the early months of 1953-4, and during that period sales declined in comparison with the corresponding period of the previous year. A marked revival occurred, however, in subsequent months, and at the close of the financial year our main factory attained new monthly production records.

To a considerable extent, a large part of the closing months' sales occurred as a consequence of the recovery of the major export industries; thus we have made an important contribution to the national finances by the increase in our indirect exports besides maintaining a substantial direct export business.

The growing demands for your company's products has necessitated increased production, testing and inspection facilities. Extensions at our main factories have recently been completed, and other projects are in hand or scheduled for the immediate future. Details of these extensions are given in the supplement attached to the annual report.

OVERSEAS PROGRESS

Taubmans Industries Limited, of Australia, reports record sales and net profits for its last financial year. I am sure this very satisfactory result calls for congratulations to the board, management and all concerned in this group of companies. Development is proceeding rapidly, and a new self-contained factory at Sunshine, a suburb of Melbourne, is in course of erection. When completed, this will be one of the most modern paint factories in the world.

The Sunshine factory and another new Taubmans factory in course of erection at Villawood, Sydney, are also illustrated in supplementary pages attached to the annual report.

Due to delay in obtaining licences for the importation of the initial plant and to certain technical difficulties, the results of Pinchin, Johnson & Associates, SA (Pty) Limited, your South African subsidiary company, have hitherto been disappointing. I am pleased to inform you, however, that last year witnessed a distinct improvement which has become more marked in the early months of the current year. There remain many problems to solve, particularly in regard to personnel, but it is hoped that the company is now on the road to a successful future.

Herbert Evans and Company Limited, who are associated with us, are also our partners in Pinchin, Johnson & Associates, SA (Pty) Limited. The directors of Herbert Evans and Company Limited are taking an important part in the guidance of your South African subsidiary company's affairs, Mr H. D. Evans having undertaken the chairmanship, and Mr F. V. Evans the technical directorship. I take this opportunity of thanking Herbert Evans and Company Limited and their directors for their valuable assistance and co-operation.

During the past year visits were made by Mr W. T. Branscombe, managing director, and certain of your company's executives to some of your companies abroad. In recent months, the managements of the companies operating in South Africa, Australia, India and New Zealand have visited the United Kingdom for the purpose of exchanging technical and other information. It is believed that these visits, affording opportunities for personal consultation, will prove beneficial to the group.

THE FUTURE

Your company are the main suppliers in the United Kingdom of industrial surface coatings, besides being important producers of decorative and marine coatings of all types.

By long experience in the trade, constant development and research your home organisation has achieved a pre-eminent reputation and has created valuable goodwill. Our experience and research are freely available to all your overseas companies, some of whom, as I have already indicated, are rapidly expanding their activities. We have therefore reasonable grounds for our belief that our future returns from overseas investments should increase.

The world-wide nature of your organisation gives me confidence in your company's long-term progress and prosperity.

I am sure you will agree that the satisfactory results of the past year call for our special thanks to the management, staff and all other workers throughout the world for their continued co-operation and loyalty.

The report and accounts for the year ended March 31, 1954, were adopted and a final dividend of 17½ per cent (less tax) was declared on the ordinary shares, making 25 per cent (less tax) for the year. The retiring directors were re-elected and the auditors' remuneration fixed.

RIDING'S STORES LIMITED

CONTINUED PROSPERITY AND EXPANSION

The twenty-sixth annual general meeting of Riding's Stores Limited was held on September 8th in Manchester, Mr Frank B. Aldred (the chairman) presiding.

The following is an extract from his circulated statement:

Despite the restrictions imposed on hire purchase trading which continued for the full year under review, your company continued to prosper and the policy of expansion adopted by your board was not severely impaired. As you are no doubt aware, the restrictions have recently been removed, and your company can now look forward to a period of unfettered trading.

There is an increase in the revenue reserves and surplus, the future tax reserve being £58,000 and the balance of unappropriated profits £144,531. The consolidated total of shareholders' funds, including £230,000 paid up capital has increased by £76,676 since last year, and now amounts to £577,832.

The consolidated profit and loss account for the year reflects the expansion in trading and shows a combined trading profit of £316,155. There is a net profit, subject to taxation, of £121,014, from which taxation of £72,445 must be deducted, leaving a residue of £48,569. Your directors recommend a final dividend of 20 per cent less tax, making 30 per cent for the year, on the ordinary shares.

In view of the considerable expansion of trading, your board are of the opinion that the ordinary share capital should be increased by a further £50,000.

The trading figures for the first quarter of the current year show that the company's activities have achieved a most satisfactory level, and your directors are vigorously pursuing a progressive policy which includes the opening of further new and larger branches.

The report was adopted and the increase of capital approved.

CALCUTTA TRAMWAYS COMPANY, LIMITED

FALL IN TRAFFIC RECEIPTS

The annual general meeting of the Calcutta Tramways Company, Limited, was held on September 9th at 1 Queen Victoria Street, London, E.C.

Mr D. E. Webb, FCA, the chairman, who presided, said:

In July last year we endeavoured to raise the fares of the company and, taking our action as a pretext, civil disturbances were created by certain political extremists. We were eventually forced to submit the question of increased fares to a tribunal, which refused to admit the necessity for any such increase. As a result, we have had to postpone for the time being our plans for further modernising and extending the undertaking. Those plans which were already in course of execution were slowed down and are being completed as and when labour and means are available. The result has been that, in the year to December 31, 1953, the surplus earned has not been sufficient to cover the full amount to which the shareholders are entitled in any one year under the agreement with Government. The fact that, notwithstanding these setbacks, there was a sulplus at all, reflects the highest credit on our executive staff.

NEED FOR COMMONSENSE VIEW

I shall be taking up the question of an increase in fares once more when I go to Calcutta in November. Government and the tribunals in Calcutta at present contend that any capital expenditure incurred in improving the existing undertaking should be met by new capital raised outside the business. Whilst this view would be sound if a major extension were contemplated, it is not practicable where it is simply a question of modernising rolling stock, replanning track layout, strengthening substations or re-equipping workshops. In spite of difficulties, I feel confident that commonsense will, in the end, prevail, and that we shall be allowed to carry on this great undertaking in a manner which will afford the greatest benefits to all, and in particular the travelling public of Calcutta.

Turning to the accounts for the year, traffic receipts are down by £168,000. This is due, in the main, to the disturbances last July and partly to a small falling off in traffics. Expenditure has decreased by £95,000, of which the greater part related to the exceptional bonus and arrears of Dearness Allowance granted under the Tribunal Award of the preceding year.

THE SHAREHOLDERS' ACCOUNT

London expenses show little change, and £80,000 has once more been transferred to renewals and replacements account. It must be remembered that this amount is the only charge made for depreciation and is the minimum necessary to deal with the normal wear and tear of the undertaking. After providing £33,500 for taxation and charging debenture interest, there remains an amount of £78,703 to be transferred to shareholders' account against the full sum of £87,457 provided for under the agreement with Government.

Turning to the balance sheet, we have endeavoured to show once more how the capital and reserves have been spent or are represented. The additional capital expenditure has been mainly on Esplanade, which is now approaching completion and is already showing great advantages.

The report and accounts were adopted.

PYE LIMITED

MR C. O. STANLEY'S STATEMENT

The twenty-fifth annual general meeting of Pye Limited was held on September 8th in London. Mr C. O. Stanley, CBE, the chairman, presided and said:

There is nothing that I have to add to what we have already published in our annual report, except that the business of the company continues to progress at the same rate as we indicated.

Every shareholder in the company will have had an opportunity of studying our report, and in addition many thousands of firms from all over the world will have received a copy.

There are, however, still very many people who have asked that copies of the report should be sent to them. We have not been able to comply with these requests because, from an economic point of view, it is quite impossible to send each applicant an individual copy. It is also quite clear that many of the people who have applied are especially interested in a particular article which has appeared in the report. Your directors have therefore decided to publish the chief articles in half-page advertisements in the *Financial Times* and certain other papers during the coming weeks.

The report and accounts were unanimously adopted.

NOTICES

A LARGE food manufacturing combine of international repute seeks a man to act initially as deputy to the Chief Sales Manager who will be retiring within next year or so. Post which holds considerable prospects and which carries a good starting salary must be filled by a man of good education, preferably University standard and with sound background of modern marketing techniques as well as proved experience in leading a sizeable sales force. Knowledge of the food Industry desirable but not essential. Age preferably 35-45.—Write stating experience and salary required to Box 693. For right man the post is both a challenge and an opportunity.

MARKET RESEARCH ASSISTANT with 1-2 years' experience required by Crawfords Advertising Agency. Male or female, age 25 or under.—Write giving experience, qualifications and salary required, to Market Research Division, W. S. Crawford Ltd., 233 High Holborn, W.C.1.

UNIVERSITY OF QUEENSLAND
AUSTRALIA

Applications are invited for the position of PROFESSOR OF PSYCHOLOGY.

It is desirable that applicants should hold a higher degree, have taught at University level, and have carried out substantial research in at least one of the more important fields of Psychology.

Salary £A2,095 per annum.

Further particulars and application forms are obtainable from the 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 November 30, 1954.

ECONOMIC RESEARCH ASSISTANT required by leading stockbrokers for work on background to investment policy. Some experience or knowledge of City desirable but not essential.—Box 691.

UNIVERSITY OF SYDNEY
AUSTRALIA

Applications are invited for three positions of STAFF TUTOR in the Department of Tutorial Classes, University of Sydney.

Applicants should be graduates, preferably in Arts or Economics, of a recognised University. In one case, preference will be given to an applicant experienced in experimental work in parent education and with women's groups.

Commencing salary is £A1,100 per annum, rising by annual increments of £A50 to £A1,450 per annum and is subject to deductions under the State Superannuation Act.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in Australia and London, is October 9, 1954.

UNIVERSITY OF CAPE TOWN

Applications are invited for the CHAIR OF APPLIED MATHEMATICS in the Department of Mathematics.

The substantive salary scale is £1,600 x £100—£1,950 per annum, but the scale recognised for the Provident Fund is £1,400 x £50—£1,600. There is also a temporary cost of living allowance for a married man (at present £234 per annum).

The Department of Mathematics is concerned with the teaching of both Pure and Applied Mathematics. Courses are given for students in the Faculties of Arts and Science, proceeding to the degrees of B.A., M.A., B.Sc., M.Sc., Ph.D., to students in the Faculty of Engineering proceeding to the degree of B.Sc. in Engineering, Land Surveying or Applied and Industrial Chemistry; and to students in the Faculty of Commerce, proceeding to the degree of B.Com. or to Actuarial qualifications.

The staff of the Department includes a Professor of Applied Mathematics and a Professor of Pure Mathematics. Both professors are required to take some part in the teaching of these courses. In addition they are expected to advise and guide students and to promote research in their own special branches of the subject.

Applications (with copies of testimonials) should state age, experience, qualifications and research work completed or in progress, and give the names of two referees whom the University may consult. Two copies of the application and testimonials should reach the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1 (from whom memoranda giving the general conditions of appointment and information on the work of the Department should be obtained) not later than October 31, 1954. An additional copy should be sent direct by air mail to the Registrar, University of Cape Town, Private Bag, Rodesbosch, Cape Town, South Africa, by the same date.

The University reserves the right to appoint a person other than one of the applicants or to make no appointment.

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG
SOUTH AFRICA

Applications are invited for appointment to the post of SENIOR LECTURER IN ACCOUNTING in the Department of Commerce.

Applicants must be professionally qualified. Extensive practical experience, teaching experience, a University degree and ability to lecture on specialised accounting subjects will be considered additional recommendations.

The substantive salary scale attaching to the post is £1,100 x £50—£1,450 per annum, together with a temporary cost-of-living allowance of £234 per annum in the case of a married man.

An allowance is made towards the cost of travelling expenses.

The successful applicant will be expected to assume duty on January 2, 1955, or earlier if possible.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in South Africa and London, is October 12, 1954.

KUMASI COLLEGE OF TECHNOLOGY, SCIENCE AND ARTS
(GOLD COAST)

Applications are invited for the following appointments:—

3 SENIOR LECTURERS or LECTURERS (Grade A) in ACCOUNTANCY and ALLIED SUBJECTS

to take accountancy up to final professional level; membership of professional accountancy body essential.

LECTURER (Grade A) in SECRETARYSHIP and MANAGEMENT

to take courses up to level of final examinations of C.I.S. and C.S.

Now in the early stages of development, the college is autonomous, complementary in function to the University College of the Gold Coast and of comparable status. It has at present about 600 resident students and will eventually accommodate up to 2,000.

Salary scales:—

Senior Lecturers: £1,400-£1,850 p.a.

Lecturers (Grade A): £889-£1,560 p.a.

Initial salary according to experience. Posts are pensionable but temporary appointments carrying gratuities and 10 per cent higher salaries could be made if preferred. Partly furnished houses provided, rent according to salary. Free first-class passages for persons appointed, wives and up to 3 children under 13. Generous home leave, normally annual, on full salary.

Write for further information to Secretary, Advisory Committee on Colonial Colleges, 1, Gordon Square, London, W.C.1. Closing date for applications (six copies) October 4, 1954.

EXPORT RESEARCH.—Economist (40), B.Sc.(Econ.), A.I.S., practical background of banking, export, accounting, office organisation, widely experienced in economic and political intelligence, writer and lecturer on economic affairs, including those of Eastern Europe and the possibilities and limitations of East-West Trade, resigning from Public Corporation, seeks post with progressive organisation to develop export research.—Box 692.

THE BRITISH IRON AND STEEL FEDERATION requires economist with good university degree, preferably aged around 30 and with some experience in economic research or economic journalism. Salary according to qualifications and experience.—Applications, giving full particulars, should be sent by September 30th, to the Establishment Officer, Steel House, Tothill Street, London, S.W.1.

THE VALUE OF MARKET RESEARCH depends on how you interpret the results. Young executive available with 7 years' first-class experience in planning and interpreting research. Also organised the programmes which followed, both for consumer-goods and government and other services. Willing to travel.—Box 690.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

Applications are invited for a Research Assistantship in Economics tenable for one year, with the possibility of renewal for a further one or two years. Salary £450 per annum. Further particulars may be obtained from the undersigned, to whom six copies of application, together with the names and addresses of three referees, should be sent not later than September 25, 1954.

Cathays Park, Cardiff. August, 1954. E. R. EVANS, Registrar.

NATIONAL DOCK LABOUR BOARD

Applications are invited for the post of Administrative Assistant to the Chief Welfare Officer. Candidates must have sound administrative experience in a large-scale organisation and practical knowledge of industrial welfare. Knowledge of dock conditions an advantage.

Salary scale £895 by £33 to £1,060 p.a. Assisted house purchase scheme and compulsory pension fund.

Applications on form obtainable from 9 & 10 Upper Brook Street, London, W.1, to be returned within 10 days.

MARKET RESEARCH

A vacancy occurs in a large London business organisation for a Market Research Executive. The applicant should not be over 35 and should, at a minimum, have a Degree in Economics with Statistical experience. He should have some experience in the planning and controlling of Surveys and in the preparation of subsequent reports. Write, giving particulars of age, experience, etc., and salary required, to Box 684.

BRITISH EUROPEAN AIRWAYS invite applications for a senior Methods Officer in the organisation and methods branch, head office, to specialise in the study and development of office methods, accounting procedures, and paper work systems generally throughout the corporation. This is a new appointment. Applicants should have a University degree or appropriate professional qualification, several years' experience in a responsible position, and capacity to deal with people at all levels. Knowledge of office machines and equipment, including punch card equipment, and wide experience of methods study techniques are essential. Starting salary within the scale £1,075 to £1,325 p.a. Pension scheme.—Applications, giving age and full details of qualifications and experience, to the Personnel Officer, Head Office, B.E.A., Keyline House, Ruislip, Middlesex. Closing date September 30, 1954.

EXPORT SALES EXECUTIVE. A food manufacturing firm with a world-wide selling organisation is seeking a deputy to their Export Sales Manager. Applicants, who should be in the 30-40 age group, must have had considerable experience of selling to overseas markets—preferably in the food trade—and should have a good educational background, with fluency in one or two commercial languages besides English. They must be physically fit and although normally located at Head Office in U.K. must be prepared to undertake tours of travel abroad to extend and develop markets. The post carries an immediate salary of £1,000-£1,500, according to qualifications. A suitable man will have opportunity for substantial advancement. There is a contributory pension fund.—Box 687.

B.B.C. requires Talks Producer, North American Service, to formulate ideas for and produce discussions, talks and talks features for rebroadcasting in North America. Sound academic background, good general knowledge, appreciation of style of spoken and written word, imagination, tact and sympathetic interest in people of all kinds essential. First hand knowledge of people and affairs of U.S.A. and Canada and experience of writing desirable. Salary £870 (possibly higher if qualifications exceptional) rising by 5 annual increments to £1,175 maximum. Requests for application forms (enclosing addressed envelope and quoting reference "396 Ect.") should reach Appointments Officer, B.B.C., Broadcasting House, London, W.1, within 5 days.

ENGLISH SEWING COTTON CO. LTD., requires an Economist of good Honours Degree and Post-Graduate experience (age 25/35) to organise and take charge of a new department at the head office in Manchester. This department will have two main functions:

(1) The collection and analysis of external economic data which is relevant to the activities of the company.

(2) Advising on the compilation and interpretation of internal statistical information.

The company also requires a Statistician with Honours Degree as an Assistant in this new department. Both posts will be permanent and pensionable.—Applications, which will be treated in confidence, should give details of age, qualifications and experience, and be addressed to The Commercial Director, P.O. Box 413, Manchester, marked "Personal."

BUSY EXPORT DEPARTMENT of famous company requires CLERK/ASSISTANT willing to concentrate hard on exacting and often onerous work whilst undergoing long-term training. The department is small but expanding, hence prospects are good. Age 23-30; good education (aptitude with figures essential); good health; an enquiring mind. University degree, knowledge of export procedures and of foreign languages are not essentials but would be definite assets. Salary will be according to experience but to commence, a maximum of £500 p.a. will be paid. A generous non-contributory pension and life assurance scheme operates.—Box 689.

BRITISH INSTITUTE OF MANAGEMENT LIBRARY requires additional Senior Assistant. Must be qualified librarian. University degree, experience in special library work, foreign language other than French, would be advantageous. Starting salary £500 p.a. Applications, in writing, should be addressed to The Director, Management House, 8 Hill Street, W.1, and marked "S.L.A."

YOUNG MAN, aged 27, public school, University education; completed military service; commercial experience home and overseas; seeks post with firm of stockbrokers or Investment Trust doing Investment Research Work.—Box 688.

ECONOMICS GRADUATE, aged 31, with 13 years' business experience, last two as Personnel Manager, requires similar position. Ambitious and willing to undergo further training.—Box 685.

EXECUTIVE, 30, ten years Malaya sales and administration, now on leave, desires remain U.K. Seeks responsible position with prospects. Good reference. Box 686.

THE CHARTERED INSTITUTE OF SECRETARIES.—Directors requiring the services of Chartered Secretaries to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute, 14 New Bridge Street, E.C.4.

OTHER NOTICES APPEAR ON PAGE 857

INCORPORATED ACCOUNTANTS

THE SOCIETY OF INCORPORATED ACCOUNTANTS' EXAMINATIONS

EXAMINATIONS, NOVEMBER, 1954

The Society's November, 1954, Examinations will be held on the following dates:—

Preliminary: November 9 and 10, 1954.
Intermediate: November 11 and 12, 1954.
Final Part I: November 9 and 10, 1954.
Final Part II: November 11 and 12, 1954.

The centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle-on-Tyne and Southampton.

Applications on the appropriate forms must be lodged with the Secretary, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, W.C.2, not later than Monday, September 20th.

NEWCASTLE-UPON-TYNE EDUCATION COMMITTEE

MUNICIPAL COLLEGE OF COMMERCE

Principal: J. L. Gayler, B.Com., LL.B., Barrister at Law

Applications are invited for the following full-time appointments:—

(a) Senior Lecturer in Management.
(b) Assistant Lecturer (Grade B) in Commerce.

Further details and application form, to be returned within 14 days, obtainable from Director of Education, Northumberland Road, Newcastle-upon-Tyne, 1.

BRITISH STEEL CASTINGS RESEARCH ASSOCIATION

DIRECTOR OF RESEARCH

The British Steel Castings Research Association, with Headquarters in Sheffield, invites applications for the position of Director of Research, to lead a team of about 18 scientists and technicians, together with clerical and library services. A metallurgist with research and some industrial experience considered. A new Research Station is about to be built and equipped. The Association is in receipt of D.S.I.R. Grant, and has connections and liaison with the works and laboratories of all the leading steel foundries in the U.K., together with a number of overseas contacts. For this reason administrative ability to work with committees, works personnel, etc., as well as the Association's own staff is of great importance. Salary, which will be in accordance with qualifications and experience, will be substantial. The Industry served by the Association produces about 225,000 tons per annum of carbon and alloy steel castings, and employs approximately 25,000 people.

Communications or queries should be addressed in confidence to the Chairman, British Steel Castings Research Association, Broomgrove Lodge, Sheffield, 10.

DUNDEE INSTITUTE OF ART AND TECHNOLOGY

DUNDEE TECHNICAL COLLEGE

The Governors of Dundee Institute of Art and Technology invite applications for the Post of Senior Lecturer in Commerce and Organiser in Management Subjects. Candidates should preferably hold a good University Degree in Commerce or Administration and have had teaching and industrial experience. The salary scale, subject to increase under 1954 revision, when finally approved, is £940 x £50—£1,140 per annum, and placing will be according to qualifications and experience.

Further particulars, conditions of appointment and application forms may be obtained from the Clerk and Treasurer, 40 Bell Street, Dundee.

GO-AHEAD Managing Directors are offered a rare opportunity to engage a young executive with unusual combination of academic, linguistic and practical qualifications. His 10 years' experience of the Export Trade are backed by the London B.Com. and B.Sc.Econ. degrees, both of them with Honours, in International Trade/Economics; he has passed all the Institute of Export examinations; travelled, his languages include perfect Spanish, excellent Portuguese, and some French, rapidly becoming fluent.—Box 682.

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"TRAINING FOR MANAGEMENT."—Pitman Home Study for all Management and Secretarial Examinations; also for Transport and Hospital Administration. Personal tuition; success guaranteed. Details of course required from Pitman Correspondence College, 54 Pitman House, Godalming, Surrey.

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

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VICTORIA UNIVERSITY COLLEGE
(UNIVERSITY OF NEW ZEALAND)

CHAIR OF POLITICAL SCIENCE

SENIOR LECTURESHIP IN POLITICAL SCIENCE

The Council of the College invites applications from suitably qualified persons for these appointments.

Chair of Political Science

The Chair of Political Science in the School of Political Science and Public Administration is at present vacant by reason of the resignation of Professor R. S. Parker on his taking up an appointment with the Australian National University at Canberra. The Chair carries with it the Headship of the School.

The salary will be at the rate of £1,592 8s. per annum, rising by annual increments of £100 to £1,792 8s. per annum. The initial salary will be determined according to the qualifications and experience of the appointee.

The successful applicant would be expected to take up his duties at the commencement of the second term of the 1955 session, viz., May 23rd, or as soon thereafter as agreed upon by the Council.

Senior Lectureship in Political Science

The salary will be £1,092 8s. per annum, rising by annual increments of £50 to £1,292 8s. per annum. The initial salary will be determined according to the qualifications and experience of the appointee.

The successful applicant will be expected to take up his duties on February 1, 1955, or as soon thereafter as may be agreed upon.

Allowance is made towards the cost of travelling expenses in both cases.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications for the Chair of Political Science is December 1, 1954, and for the Senior Lectureship in Political Science, October 15, 1954.

VICTORIA UNIVERSITY COLLEGE
(UNIVERSITY OF NEW ZEALAND)

The Council of Victoria University College proposes shortly to appoint a LECTURER IN COMPARATIVE SOCIAL ADMINISTRATION, and invites applications from suitably qualified persons for this post.

Applicants must have suitable academic qualifications and previous research in the fields of the Lectureship would be an advantage. Knowledge of Social Administration and services in Asian Countries would be considered a recommendation. Experience in administration, if additional to suitable academic qualification, would also be an advantage.

The salary will be £892 8s. per annum, rising by annual increments of £50 to £1,042 8s. per annum. The initial salary will be determined according to the qualifications and experience of the appointee.

An allowance is made towards travelling expenses.

The successful applicant would be expected to take up his duties on January 1, 1955, or at such other date as may be agreed upon by the College Council.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in New Zealand and London, is October 15, 1954.

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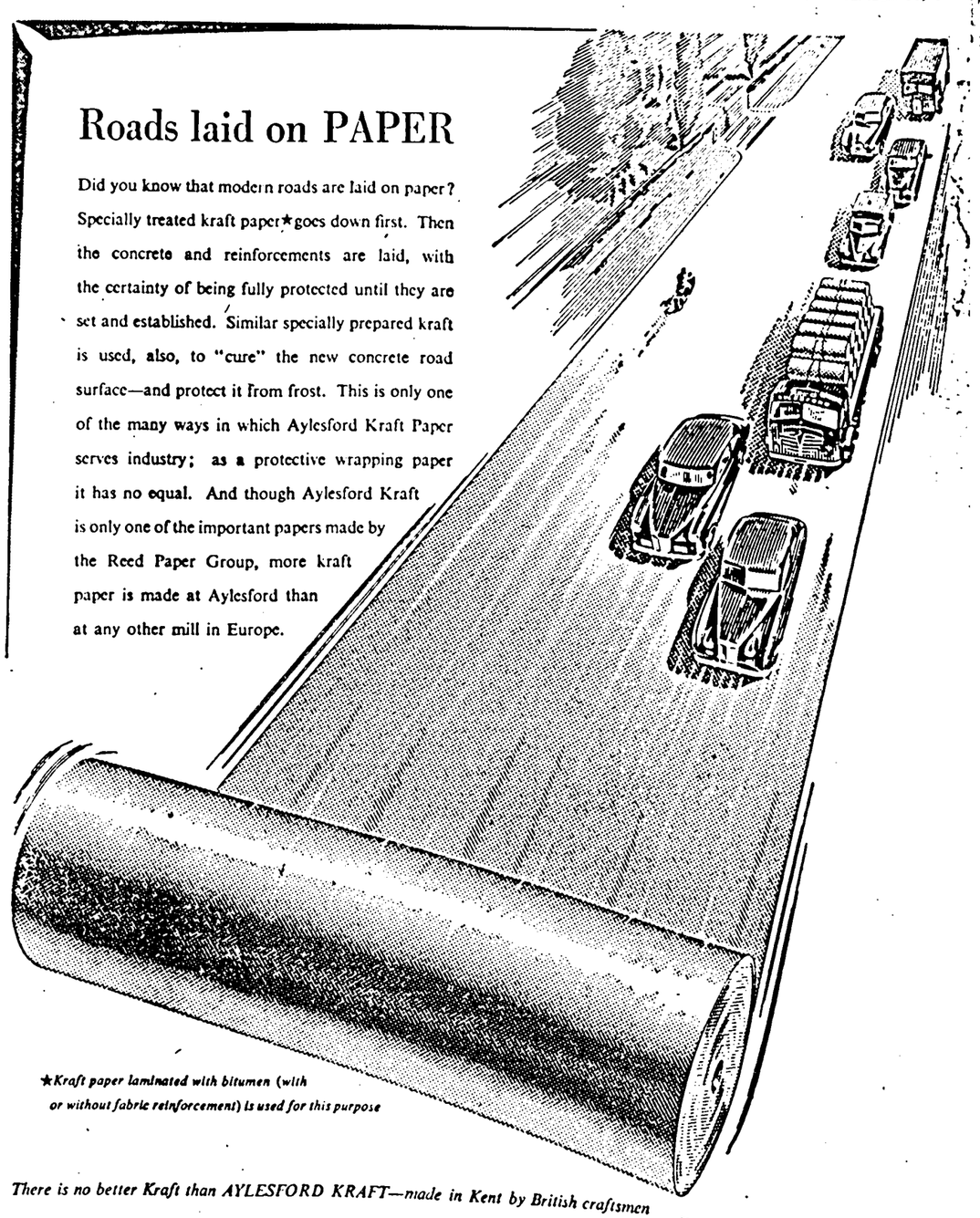
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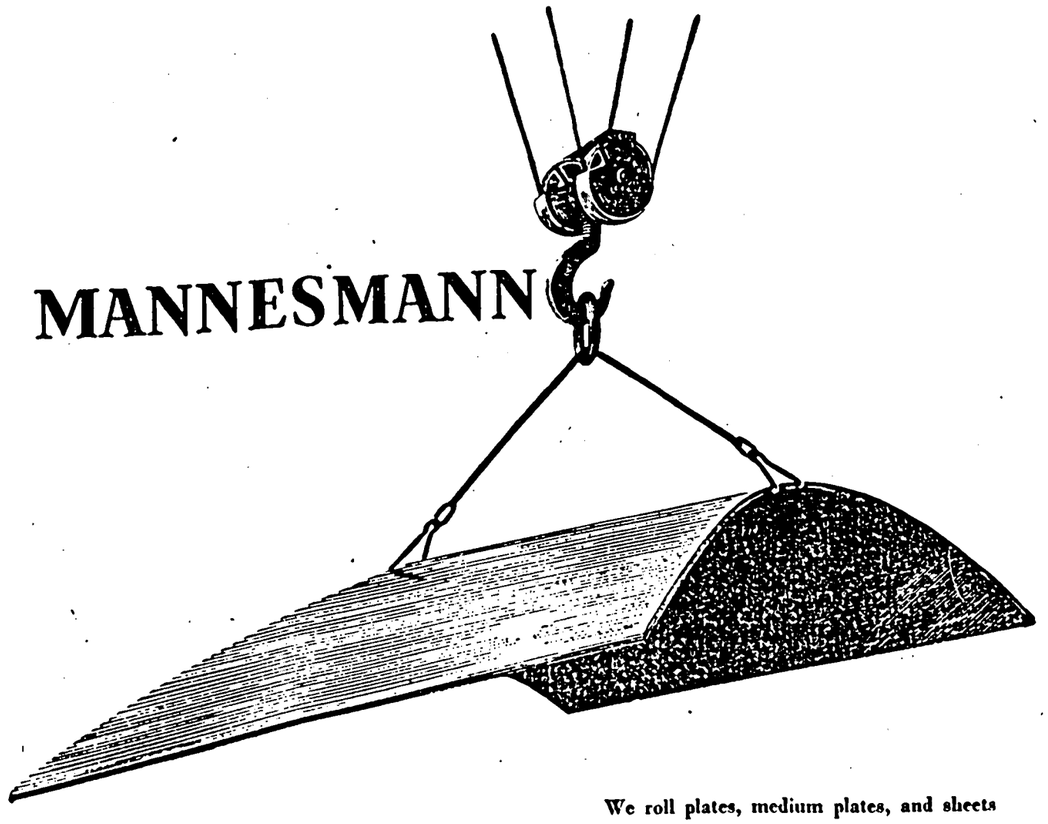
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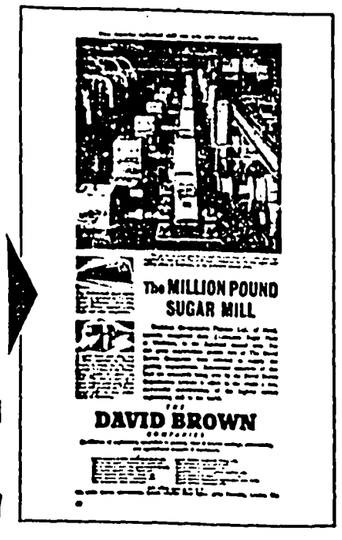
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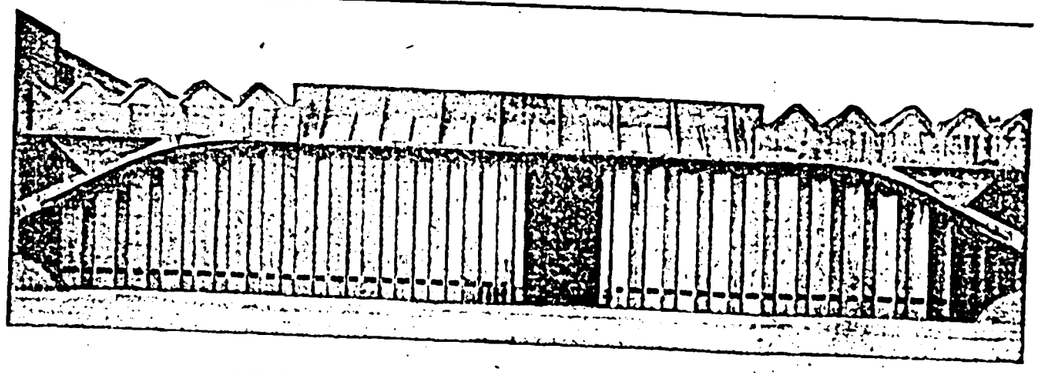
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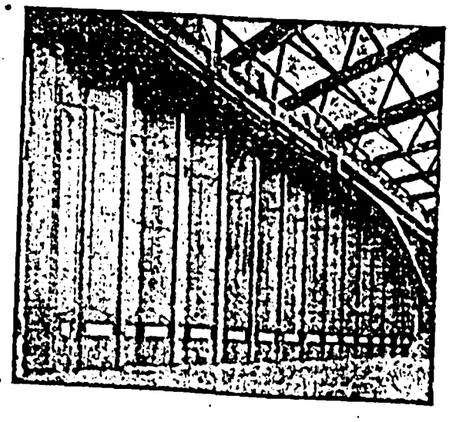


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IDEAL HOME

MAGAZINE—OCTOBER ISSUE

OUT FRIDAY, SEPT. 24—TWO SHILLINGS



At the back of all our minds

LISTEN

to the Home Secretary's broadcast
The Home Secretary, the Rt. Hon. Sir David Maxwell Fyfe, Q.C., M.P., will speak on "THE HYDROGEN BOMB AND CIVIL DEFENCE" Monday, 27th September, 9.15 p.m., after the News, B.B.C. Home Service.
On the Scottish Home Service, at the same time, there will be an address on Civil Defence by the Earl of Home, Minister of State for Scotland.

IS THERE ANYTHING we can do to prepare for the worst—a hydrogen bomb attack? Yes, there is.

However complete and extensive the destruction in the centre of the target area, there would still be a great ring around it only partly destroyed, with fires raging. People would still be alive there—many of them trapped in the fires and debris, many of them injured—all of them with lives to be saved—all looking for help to the civil defence services.

It is the people outside the target area who would have to come to their aid. They would be the ones who would rescue the trapped and injured, stop the fires from spreading, feed and shelter the homeless. *If they knew how.*

Even in the critical days of evacuation and preparation before a war broke out, there would be immense tasks for the civil defence services.

Half a million people realise all this. They are training in civil defence, and because of them, if war ever does come, thousands who might have died will live.

But still more help is wanted. There is a greater need than ever for *trained* Civil Defence Corps and Auxiliary Fire Service volunteers.

NOW IS THE TIME TO PREPARE

We are all thankful that for the present the threat of war has receded. But even though there is no crisis now, we must not relax. An organisation whipped together in a crisis would not be much good. If the civil defence services are to be a permanent part of our defences—as they must be—the time to train is now.

Civil Defence is a vigorous going concern. The A.F.S. is being equipped with new fire-fighting apparatus of the very latest design. The Civil Defence Staff College and Tactical School has trained over 3,000 leaders for the Corps. Training and social centres are being opened all over the country. Soon we shall begin training service men to take their places in mobile rescue and fire-fighting columns.

THOUSANDS MORE ARE NEEDED

But local civil defence organisations are the first line of civil defence, and thousands more volunteers are needed for spare-time training everywhere—right away.

Why not look into it? Ask about it at your Town Hall. Remember, the more men and women who train now—the fewer people will die if war should come.

YOUR LOCAL CIVIL DEFENCE NEEDS YOU NOW MORE THAN EVER

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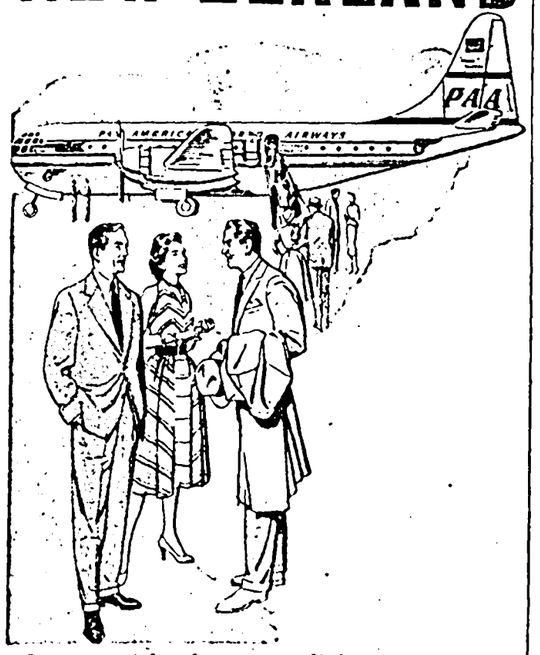
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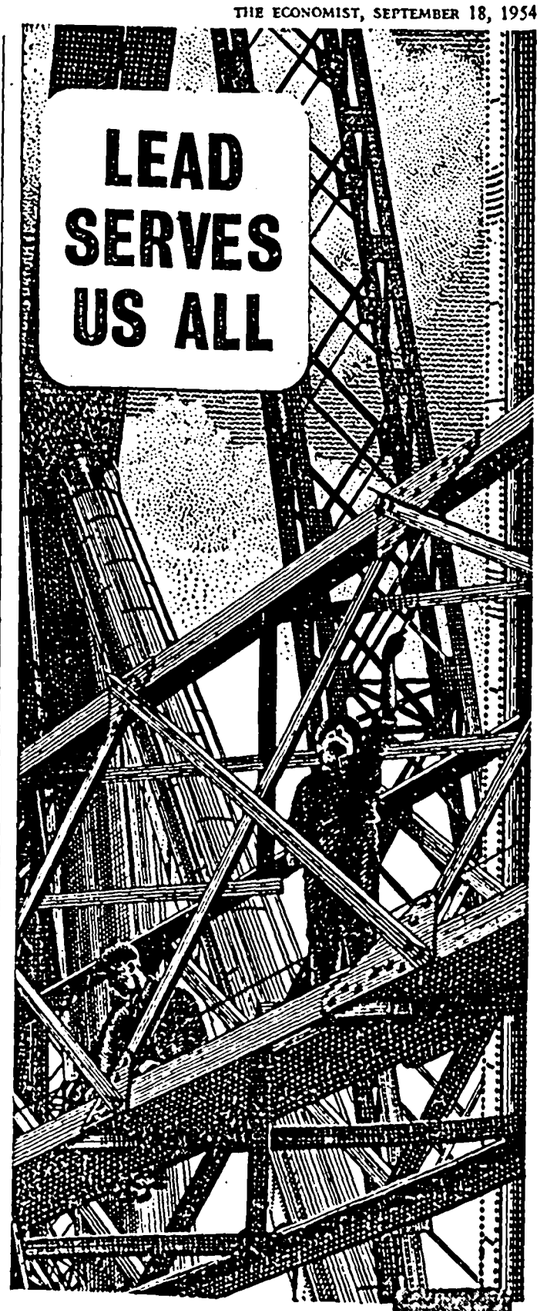
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Mr Bevin's Mantle 873
Fears for Formosa 875
Surplus and Hunger 876
Soviet *Apartheid* 878

NOTES OF THE WEEK
Brussels Lace?; Dulles from the Blue; Dr Adenauer Alone; Opportunity at Strasbourg; Faithful Dobbin; Before the Conservative Conference; Breaking the Railway Deadlock; When Thai Fears Thai; After Iraq's Elections; Unperson, 1954; Pig—hoo—ey!; A Union of One's Own; The Squire's Successors; First Aid for France's Economy; The Ostrich and the Stork; Surplus of Doctors?; Enlightening the Consumer; Revising Military Law. 880

LETTERS TO THE EDITOR . . . 890
BOOKS AND PUBLICATIONS . . 891

AMERICAN SURVEY
Sharing the Atom 896
Storm Signals from Maine; Deficit with a Silver Lining; Foreign Aid Begins at Home; McCarthy Kept in Order; Dewey Doesn't; The Strange Case of Montgomery Ward; Investment Forecast.

THE WORLD OVERSEAS
Manchuria—Key to China's Dream . 903
German Economy Set Fair; Malan Seeks for Reinforcements; Agenda for Sixty Nations; Cedars Murmur in Lebanon; Living with a Giant.

THE BUSINESS WORLD
Narrow Path for Gilt-edged? . . . 913
Cinemas and Circuits 915

BUSINESS NOTES
The Market Clears a Hurdle; End of Blocked Marks; Fuel Shortage—and Costs; Squeeze in Copper; Investment in Liners; Money in the Shops; ITA Gets Going; Dwindling Margins for the Airlines; Mr Clore Clears the Deck; Capacity for Coal; August Trade; Plunge in Cocoa Prices; Wool Prices Steady; The Tangle of Exchange Control; Coping with "Free" Sugar; Cheer About Chemicals; Shorter Notes. 917

COMPANY NOTES AND SECURITY PRICES 929
STATISTICS 932

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Mr Bevin's Mantle

MR ATTLEE will come back to Britain next week to face a mountain of trouble in the management of Labour's foreign policy. He probably does not yet understand exactly what is going to hit him. His convivialities in the East have had the worst possible effect on opinion in the United States; and that effect is going to be immeasurably strengthened if, as seems inevitable, his party casts a majority vote against "German rearmament" at Scarborough. It is now an unfortunate fact that if he should be returned to office next year, this will add to the influence of those Americans who believe that their own defence line should be built up behind instead of in front of "untrustworthy" Europeans. To millions of Americans and other foreign friends of freedom the ruling question in British politics is no longer that of whose finger is itching at the trigger, but of whose boot is kicking at the shield. They believe that Mr Attlee's is.

This is a desperately dangerous picture for Britain. It is also a quite unfair one of Mr Attlee. His definition of desirable co-existence is admittedly a little cosier than that of Mr Dulles, but it is no cosier than that of Sir Winston Churchill; his determination to fit a German contribution into western defence is almost as great as Mr Eden's—and he believes that, were he to become Prime Minister, he would be able to manage this, provided there was no outside barracking of his intricate manœuvres around his own party's floor. As so often in the history of Britain's alternative government, it is therefore necessary to explain to foreigners that the situation inside the Labour party is not really as bad as it appears; but to suggest to the Labour leaders one way in which they might make that bad appearance better.

The reassurances to nervous friends abroad can be terse but emphatic. First, whatever interpretation is put on whatever dreadful things happen at Scarborough, the apparent swing within the Labour party is not going to be pronounced or coherent enough to cow the Conservative Government's foreign policy between now and the next general election. In particular, with half the Labour movement and the whole of the Conservative movement in favour of fitting a German contribution into western defence, Mr Eden's present course will still have the representatives of three quarters of British public opinion behind it.

Secondly—provided foreign statesmen themselves stood firm—the consequences of any election that returned Labour to office within the next two years would not necessarily be dramatic. There is a simple truth here that Mr Attlee cannot very well propagate himself, so other people must propagate it for him. It is that if the Labour party expresses its immutable opposition to German rearmament at Scarborough, this will have no more effect on the eventual policy of a Labour government than if the conference expressed its immutable opposition to rainy British summers. Confronted by the success of either resolution, Mr Attlee would say that he did not personally

favour it, but that he understood the emotions behind it, and that he would try to act with this expression of opposition in mind so far as circumstances permitted. But he would know quite well that circumstances would not permit.

The quickest cure to excessive nerves about Labour's neutralism is, indeed, a glance at the calendar. The earliest moment at which a Labour Government can conceivably be returned to office seems to be the autumn of 1955, and by that time the task of fitting a German contribution into western defence is likely to have begun. The earliest moment at which a Labour government that won a secure majority in 1955 would feel obliged to go to the country would be 1959 or 1960, and by that time the process of German rearmament is certain to be complete ; either the Germans will be rearmed on the west's side facing the Russians, or they will be rearmed on the Russian side facing the west. As this situation developed it is inconceivable that a Labour government—in defiance of the wishes of its Prime Minister, his designated Foreign Secretary, the entire permanent staff at the Foreign Office, and virtually the entire British people—would opt for the second alternative. They would not therefore make any real show of hindrance to the first.

*

To Mr Attlee these must seem the facts of life ; the trouble is that Britain's allies may not appreciate them. Even although a Labour government would be unlikely resolutely to oppose a German contribution to western defence, there is a widespread fear that it might not at first feel able to work actively towards it ; and the situation immediately after the next British general election may still be one that will require such activity from Downing Street. The danger is that in the absence of such a lead, freedom's front might relapse into confusion and apathy ; and then the Americans might withdraw to the west with their protection, and the Germans might turn to the east for theirs.

There is only one way in which the Labour party could avert this risk. It would be by putting the management of foreign affairs, under Mr Attlee's co-ordination, into the hands of a man in whose vigour the free world would trust. In short, Labour now has an urgent need to find a new Ernest Bevin. The advance to realism in Labour's foreign policy that the new man would have to make, and the party obstacles over which he would have to ride, would certainly not be greater than those that characterised Mr Bevin's astonishing achievements in 1945-48.

Once this need is recognised, two candidates for the post as Labour's next Foreign Secretary should be immediately struck off the list. Up to quite recently Mr Bevan was seriously tipped at Westminster as a likely incumbent of this office ; since he can be managed by permanent officials much more easily than is generally supposed, the suggestion was not as awe-inspiring as it might at first appear. After the events of the last few months, however, it is clear that freedom's front would not survive such a shock ; indeed, now that Labour has succeeded in turning itself into a scarecrow in the foreign policy as well as in the economic field, it may have to decide to try to exclude Mr Bevan from high office permanently—even although this makes it so much more difficult also to exclude all his policies. The second candidate who must not become Foreign Secretary in the circumstances that are here envisaged is Mr Herbert Morrison. He is an even better co-ordinator of party compromises, and he might be an even better Prime Minister, than Mr Attlee ; but for that very reason, as his last tenure of the office showed, he is liable to be a worse Foreign Secretary than almost anybody else.

Another possible candidate is Mr Gaitskell. His appointment would also be a mistake. The trouble is not, as is generally believed, that Mr Gaitskell would be indispensable at the Treasury. It is that he is being groomed for the party leadership —and, quite frankly, before he is really ready for it. He is Labour's great hope for the 1960s, but if he was thrown into the centre of the party battle over foreign policy he might either wilt from it or be broken on the wheel ; his action in 1951—when he introduced dividend limitation and opposed dearer money against what must have been his trained economic judgment—suggests that he might do the former. Indeed, if Mr Attlee is re-elected and has to pick a Foreign Secretary from within the present Parliamentary Party, his most helpful choice might be Sir Hartley Shawcross.

But it must be quite clear who the best choice of all would be. The personification of Ernest Bevin is among us ; he thumped down the front at Brighton last week, scattering " Pollitt's rabbits " as he went. Three months ago one newspaper started the hare of rumour that Mr Arthur Deakin intended to enter political life when he reaches the retirement age from trade union office next summer ; the rumour was denied, and there is no doubt that as an expression of intent it was wide of the mark. But the call now needs to be revived, not as a statement of Mr Deakin's personal wish, but as an exposition of urgent national and party need. Nobody likes to urge an unwilling man to come into the political field ; it is so much more usual to urge too many too willing hacks to get out of it. But Mr Deakin should listen to the foreign policy debate at Scarborough very carefully, and ponder on the meaning that would be attached to any vote that sought to saddle the party's leaders with a policy in which they did not believe, and that opened a real danger — if Labour returned to power—of either defencelessness for Britain or else of a new 1931. Its most obvious meaning would be that, within a Parliamentary party led by tired and troubled men, his own brand of robust leadership had become indispensable.

Fears for Formosa

OF all the questions on which the people of Britain and America are from time to time divided, that of Formosa is the most constant and perhaps the most profound. It is the one in which their clash of opinion over recognition of Communist China finds its most permanent and tangible expression. For the majority in Britain, the name of Chiang Kai-shek has almost the same kind of taint about it as General Franco's ; the fact that he was an ally in the war has since been overshadowed by the corruption, autocracy and disillusioning nature of his rule. For Americans, on the other hand, Formosa represents not only the last retreat of a government on whose support the United States once lavished millions of dollars and a large slice of American prestige ; it is the final repository of a dream, of the idea that China would provide for America the kind of cultural and commercial link with Asia that India did for Britain. By their military victory on the mainland in 1949, the Communists shattered this illusion at the very moment when the United States had both reached the peak of its own power and was more consciously aware than ever before of the long-term hostility of the Communist world. Those in Britain who know the value of their American alliance can therefore ignore this background only at their peril ; the recent renewal of active fighting around the Nationalist-held islands of Quemoy has touched an open nerve in Washington.

Chinese Communist motives and aims in stepping up the tempo of this particular battle at this particular moment are by no means clear ; indeed some of the pressure this summer has been deliberately put on by the Nationalists themselves, and the Communists have done no more than retaliate. But there are at least three obvious motives for Peking to adopt a more aggressive policy towards the Chiang Kai-shek regime, and all have probably played some part in shaping recent events. The very division of opinion between the two main western allies means that to foment the quarrel with America on the issue of the Chinese Nationalists is to drive a wedge into the weakest joint in the allied armour. For, if heavy fighting once again broke out in the Far East, the Communists might reasonably hope that the United States would this time have to engage virtually without allies and with very little moral support from world opinion. Secondly, to have the Nationalists sitting in the Quemoy islands, heavily armed, provocative and well within the territorial waters of the mainland, is an affront to the dignity of the Chinese People's Republic, which even a less quick-tempered state could not be expected to tolerate ; in fact, until the recent flare-up few people in the West probably realised that the Nationalists still held any islands so near the coast. For Peking, this is a threat that must be liquidated.

The other Communist motive is the desire to move on to the next stage after pushing the war in Indo-China as far as it was profitable to go for the moment. The truce at Geneva must have released considerable stocks of equipment which would otherwise have been earmarked for use in the South. It is argued in some quarters that the Communist leaders are so keen to get ahead with their economic plans for pulling China up by its bootstraps that they would hardly welcome a fresh military drain on their resources. There is, however, no reason why industrialisation and an assault on a localised objective like Quemoy should be incompatible. And the government may well wish to distract attention from the home front. Certainly, nothing has been left to chance in the intense propaganda campaign with which Peking is now trying to rouse the country against the Nationalists. The last time, indeed the only other time, when such efforts were made was just before the Chinese flung their volunteers into Korea.

Where will all this lead ? No one who judges the Chinese by their deeds or by the ruthless canons of their Communist faith can doubt that they mean what they say, when they declare that they are out to get Formosa if they can. The grim undertones of their determination could be heard even behind the delicate clink of teacups during the Labour delegation's visit to Peking. To the Chinese Communist leaders, the struggle for Formosa is a natural and legitimate finale to the civil war. To assume anything else is to live in a grey cloud of illusion.

The immediate future therefore turns on the physical possibilities before the Communists. Quemoy itself has a garrison of three Nationalist divisions, reputedly well trained, of high morale, and in possession of modern equipment with substantial reserves of ammunition ; in the civil war Communist attacks on the islands was repelled with very heavy losses. This means that, while it is hard to see how an all-out attack could fail, Quemoy is undoubtedly a tough nut to crack, provided its supply lines and its morale hold. But beyond Quemoy, the Communist forces would be in grave danger of provoking retaliation by the Americans —whether massive or not—or of overstepping the bounds which Moscow might consider prudent and which it would be prepared to support with deliveries of arms. Outside territorial waters, in an attack on the Pescadores or Formosa itself, the Chinese Communists would have to rely on a more powerful naval and air escort than they are at present thought to possess, or than they could get from the Russian Far East Command. So long as the US Seventh Fleet remained at its post to help the not inconsiderable Nationalist navy, it would therefore seem unlikely that the Communists could reach Formosa.

Their only chance would lie in airborne landings, designed to exploit a collapse in Nationalist morale.

Mr Dulles has rightly kept both the Communists and his own side guessing about the exact lengths to which the Americans are prepared to go ; Washington's general commitment in support of the Formosa government is too well known to lead to the dangerous confusion which brought on the Korean war. But it is to be hoped that the decisions of the National Security Council in Denver have narrowed the margin of choice left to individual force commanders. For the main danger in the fresh challenge that Peking is now throwing down is political rather than military. Formosa can almost certainly be held. But at what cost in terms of American involvement in a wider war and of an agonising rift in the western camp ? The next few weeks may well see a period of crisis in the Far East as acute as any in the last five years. But, if this does come, the sure way to let it get out of hand will be to forget that that is exactly the kind of stake the Chinese are playing for. Moreover, though it may be cold comfort, the Russians do not want a wider war either and their attitude will act as a powerful brake on the hotheads in Peking.

Although the British Government is not committed by any of America's unilateral acts about Formosa, in practice London and Washington stand much closer together on this issue than do their publics. With only minor shades of disagreement, both governments consider that Formosa must be preserved from Communism. Neither at present regards neutralisation as a solution, because Peking would never accept it. Both reject the legalistic argument that Formosa automatically belongs to the China of the Peking regime because its return to China was promised in the Cairo Declaration of 1943 ; no final disposal can in any case be arranged except in a Chinese peace treaty with Japan. And both governments regard some proof of the new China's willingness to behave in a civilised manner as at least the first condition of any negotiation. Mr Attlee's recent observations in Australia do not represent the views of Downing Street.

The position taken up by the United States during the past few years means that, from the West's point of view, the initiative now lies directly in American hands. All that America's allies can do is to make up their own minds how far they could afford to go if called upon to support action by the Seventh Fleet, and to impress their views on Washington. After all that has happened, to call for anything approaching abandonment of Formosa at this critical point is patent folly ; retreat would have a calamitous effect on Asian opinion. At the other extreme, to support the dispatch of American warships and aircraft to Quemoy itself is politically unthinkable. Somewhere between a line must be found on which there would be some chance of rallying opinion in the free world as a whole. The obvious one is that already cited by Mr Dulles to the west of the Pescadores ; the Formosa Straits are in fact reasonably defensible, and this choice meets the principle of defence without undue provocation or risk of embroilment. Moreover, for the Eisenhower Administration itself, faced with the elections in November, this in fact represents the most practical compromise ; while it would now be politically impossible for the Republicans to back down on their pledges to Chiang, neither can they risk having to send all the boys back to the Far East.

There remains Quemoy itself. For the Nationalists to withdraw at this stage without putting up a real fight would be very damaging to their prestige and to their own morale. Their strongest interests demand a heroic stand, with full—if indirect—logistic support from the Americans. If the Nationalists held Quemoy as Dien Bien Phu was held, they would have done more for their cause than anything since the fall of Peking.

Surplus and Hunger

FOR the second year running, the report of the Food and Agriculture Organisation for 1953-54 shows that world food supplies have risen faster than world population. The farmers have raised their output by some 3 per cent, the net increase of mouths is only 1½ per cent ; and production per head, in the world as a whole, has exceeded the prewar level. International prices of most primary foodstuffs have fallen. The "turning point" of 1952-53, the first postwar year to show gain instead of loss on the food-and-numbers front, now looks a little more like a true turning point and a little less like a random wriggle on the road leading to Malthusian catastrophe.

So far, so good. There will be differing interpretations of these statistics. Some people will regard the improved balance of food and numbers in the last two years as the resumption of a reliable trend, a century and more old, towards greater plenty ; a trend interrupted by war and postwar dislocation, to the acute alarm of the neo-Malthusians, but to be counted on as comfortably in the future as in the past. Without supposing that it can continue without limit into an indefinitely expansible counter-Malthusian paradise of synthetic foodstuffs or planetary colonisation, one can thankfully—on this interpretation—invoke the well-known tendency of demographic squalls to blow themselves out and of technicians to make nonsense of gloomy prophecy. Others will say that this is a wildly over-optimistic structure to build on a still very small improvement, from a very low level, held over a very short time.

Both interpretations, however, miss the main point. That point, as the FAO report makes clear, is that for the second year running the global improvement in food

supplies conceals "marked disparities between regions." North America's production of food per head is now 19 per cent above the 1934-1938 average ; food production per head in Western Europe, the Near East and Africa is also appreciably above that average: but in Latin America, the Far East and Oceania "per caput production remained substantially less than before the war." Oceania—which means Australasia—does not belong with the deficit countries proper ; this well-fed, food-exporting region is merely filling up and diversifying its economic structure. The Far East, not counting the uncommunicative People's Republic of China, has improved upon its shocking postwar shortages ; but its food production per head is still 13 per cent lower than in 1934-38. Latin America, which in 1948-51 was better off, relative to its prewar standing, than Western Europe, is steadily slipping back. Nutritionally, the rich are getting richer and at least some of the poor are getting poorer—and the poor, in the context, have an uncomfortably narrow margin between their present standards and actual famine. The Malthusian bogey may look less menacing than he did, but he remains formidable enough in his own territories.

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These are the facts behind the Malthusian controversy. They throw a revealing light on the three arguments that are most commonly used by those who engage in it. In the first place they demonstrate the essential irrelevance to the problem of hunger—except as a purely theoretical limiting factor—of the dreary global balance of food and numbers, about which so many books continue to be written. These books have no bearing on the tasks of today, or of any foreseeable tomorrow. In the words of Sir John Russell—one of the most distinguished, and certainly one of the most level-headed, authors in this field—whose "World Population and World Food Supplies" was published* this week: "Advanced countries able and willing to pay for food will, so far as I can see, always get it."

And, outside advanced countries what will matter to the hungry is not that somehow, somewhere, on some terms, more food may be produced ; but their own capacity, family by family, to produce either food or food's worth. One can qualify this statement to allow for international flows of food otherwise than in the normal course of trade ; for famine relief, and for special consignments under mutual aid programmes, whether motivated by political or strategic need or by plain human generosity. And within the richer national groups more important qualifications apply ; inadequate producers can draw for subsistence, as a matter of civic right, on the production of others. Not even the wildest Utopian, however, goes so far as to preach a supranational taxing authority—equalising, on the model of the national Welfare State, the standards of the Middle Western farmer and those of the Indian ryot. By and large, those who produce much, whether of food or of food's worth, eat well, and those who produce little eat badly. The capacity of copious producers to produce still more is neither here nor there unless the would-be consumer can directly or indirectly offer value in exchange.

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Secondly, no order can be brought into the Malthusian controversy until it is recognised that—whatever happens to total food production—there can be no simple and painless way of cancelling out recurrent surpluses and endemic hunger. There are those who, soaked in the mental atmosphere of the 1930s, see the conjunction of increasing food supplies, unsold stocks and still unfed mouths as evidence of sheer economic and political perversity. Their attitude was summed up by a recent cartoon (in *Picture Post*, by no means a fellow-travelling organ) which showed a Chinese peasant struggling half-strangled between the uprights of a dollar sign. There must, on this view, be some hitch or blockage somewhere in the economic mechanism, impeding what would otherwise be a smooth flow of supplies from bulging granaries to hungry mouths. It is up to the politicians, bankers and economists to remove it.

The beauty of this idea is that the remedy is so entirely painless ; one abracadabra being replaced by an abracadabra of better quality, the trick is done. The difficulty is that the idea has no substance in economic fact. Whatever hitches and blockages may exist in the economic system today, they obviously do not include those arising from gross deflation and remediable by an expert and painless turn of the monetary and credit taps ; there may have been some justification for this view in the 1930s, though even then Mr Colin Clark, in his "*Conditions of Economic Progress*," plainly showed that the "plenty" sterilised by depression was a drop in the bucket and that the world as a whole was "still mouse-poor." Nor—an even harder point for the well-meaning layman to grasp—can the blame be laid on the "dollar curtain" and the tangle of currency restrictions ; there is no hey-presto solution to be expected from some super-Bretton Woods agreement that would, by sheer esoteric expertise, produce universal convertibility and a rupee acceptable in Kansas. In the 1930s there were many deficit areas within surplus countries that had a single currency system ; Jarrow was one of these. Even were the most improbably universal return to classically liberal economic policies to produce a single trading and currency area in an economically unified world, the producers of next to nothing would still have next to nothing to live on.

Talk about "man-made barriers" between actual or potential plenty and the mouths that it might feed is, in fact, mostly nonsense. In one instance, that of Japan, it is relevant ; oddly enough, it is never of Japan that

* *Allen and Unwin.* 513 pages. 50s.

one hears the argument used. Elsewhere the trouble remains what it has always been: mere, sheer, lack of productive power, whether directly or indirectly applied to the business of food-winning. Short of the quixotry (in the long run disastrously ineffective and in any case politically out of the question) which would make the millions of inadequate producers in the world permanent pensioners of the more fortunate and able, the remedying of that lack of productive power is the only way to tap the unevenly distributed plenty of the world's harvests. And it is the need for this increase in total productive power that is the third—and only really relevant—subject for discussion and action in the struggle against world hunger.

Unfortunately, it is a very difficult subject. There must be more than 1,000 million people in the world today with an income lower than the national assistance authorities of western countries regard as a tolerable subsistence level; there are less than one fifth of that number of active workers in the countries with a really advanced standard of life. It would need an extraordinary increase in the latters' saving per head (which means a cut in the consumption per head) to provide the capital needed for a serious attack on productive deficiencies in Africa and the East. Even if more capital were available, there would not be immediate openings for a great increase in productive investment in the underdeveloped countries; the way for the export of capital would have to be smoothed by the prior export of technicians and of technical knowledge. The increase in total production per head in the hungry areas is going to be an uphill, slogging, painful job, not to be short circuited, even if it may be substantially aided, by injections of Western capital and the advice of Western technicians.

The sooner it is accomplished the better; the more effectively and intelligently the West can help the better—on grounds of selfish expediency as well as of human solidarity. Nothing has essentially changed; the remedying of poverty is no more and no less desirable and urgent than it was, because the FAO can report a 1½ per cent gain of world food supplies on world population. But by the same token—and here is the lesson for the neo-Malthusians—nothing would be essentially changed were next year's FAO report to note a 1½ per cent loss. Food would still be adequately consumed by those who could adequately produce either food or food's worth; it would still be inadequately consumed by the inadequate producers, however many and hungry they might be. One World or no One World: it simply is not true, however attractive it may seem as a figure of rhetoric, to say that mankind is all in the same Malthusian boat. The most that can be said, for good or ill, is that we travel in convoy.

Soviet *Apartheid*

MR BEVAN has returned from his trip to Moscow and China with a confident claim to have "opened doors which were closed." Mr Attlee's reports are considerably more qualified. Of his conversations with the masters of Russia, he says: "It soon became clear that we could not understand each other"; of the Chinese, that "the curtain of ignorance is thicker and more dangerous than the Iron Curtain." Mr Attlee cites some instances of Chinese and Russian ignorance of the outside world that would be supremely comic if they were not so alarming in their implications; and the whole Labour delegation, it seems, came away convinced of the crying need for more Russians to see the West with their own eyes.

Indeed, a tour such as these delegates have made, far from indicating that the curtain is being slowly withdrawn, reveals very clearly how easily the Communist authorities can lift it for particular purposes that suit them, and then drop it again. There are plenty of other illustrations of this at present. British visitors in particular seem now to be reaching Moscow in increasing numbers; but the selective nature of this trend was well brought out by the case of the gentleman who tried to get a visa for the supremely harmless purpose of watching a football match. Communist hospitality consists in admitting only those whose presence furthers Communist ends in one way or another, and any visitor who thinks that he himself is forcing the door open is suffering from a strange delusion.

Yet today, more than ever before, Communist propaganda calls for friendship between all peoples. And friendship, whether between individuals or whole peoples, is scarcely possible where there is no real contact. For many years, Stalin's subjects were denied all such free contact with the outside world. The sickening business of the Soviet-born wives of foreigners was only the most dramatic expression of a policy of *apartheid* which both Dr Malan and the Tsarist police would envy. To bring out its intensity, one need only ask some simple human questions about matters taken for granted in relations between normal civilised states. How many westerners—other than trusted Communists—have even seen the life of an ordinary Soviet household? How many have uninhibited and regular contact with personal friends in Russia? How many could invite those friends to spend a holiday in private homes in the West?

The new rulers in the Kremlin have made great efforts to show the world a less scowling face than Stalin's. Some hostages and prisoners have been freed; Russian sportsmen and scientists have ventured briefly on to capitalist soil; western businessmen have become familiar with Moscow hotels (and their prices); and the number of delegations of various kinds that cross the Iron Curtain has been increased. These gestures have not failed to make their mark on the western public, to most of whom the human touch means far more than any amount of debate about co-existence. But the essential insulation of the Soviet peoples remains.

Is there any real reason why their government should end this policy of *apartheid*? Its motives in retaining it are obvious enough. The fantastic secrecy that shrouds the Soviet sphere is a powerful military weapon. On the political side, secrecy serves the Kremlin's purposes both in the domestic and in the international field. The Soviet peoples have no means of detecting the falsity of the picture that is presented to them, the picture of a non-Communist world reeking with poverty, corruption and mania for war. The peoples of the world outside—including the rank and file of the western and Asian Communist parties—are likewise unable to see for themselves whether Moscow's claims to have created a paradise on earth are true or false. Soviet *apartheid*, the party leaders argue, is essential to the maintenance of blind faith and iron discipline both at home and abroad.

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These are strong arguments, as far as they go. Yet it can also be argued that, in the changed circumstances of 1954, the Soviet leaders would be wise to consider abandoning the weapon of secrecy. It is in some danger of frustrating what appears to be the policy of the government now in power in Moscow. If Malenkov and his associates really want to bring about a nicely calculated easing of international tension, they must think seriously about this point. For, at bottom, it is the insulation of the Soviet world that maintains the tension. Despite the Communists' claims that western fear of Russia is artificially created by malicious inventions, it is a fact that this fear arises less from what the free peoples are told than from their ignorance. The outstanding characteristic of the western public today is wariness. It shows no enthusiasm for swallowing scare stories. What does make its hackles rise is precisely the policy the Kremlin has been following—the repetition of soothing slogans from behind a bristling screen. Can Molotov achieve the degree of relaxation he claims to seek without removing the cause of this suspicion?

There are also more precise indications that the *apartheid* policy has reached a point of diminishing returns. First, the cherished device of carefully bear-led visits to Communist countries has lost much of its value. Those who report back in immaculately glowing terms on the glories of Soviet life are now treated as dupes and decoys. This was largely true even before the ground was cut from under their feet by the scathing attacks on unnecessary hardship in Russia made last year by Malenkov and his colleagues.

Second, the comparative frankness of the post-Stalin era has itself removed part of the need for secrecy. While the supreme presidium is repeating in chorus that Soviet housing is lamentable, that agriculture is on the wrong track, and that consumer goods are shoddy in comparison with western products, there is not much point in preventing visitors from the outside world from verifying these things with their own eyes.

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Third, the launching of the Beria-Malenkov economic policy, with its shift of emphasis in favour of the common customer, should mean a reduction in the number of skeletons in the Soviet cupboard. Already some Russians are willing to concede privately that the survival of dark corners in their economy is one of the main reasons for continued restrictions on the entry and movement of foreigners. Even if, for some time to come, many Russians are still deplorably housed and clothed, the foreign visitor should receive an encouraging impression of progress.

Fourth, Soviet intellectuals have lately had a chance to air their long repressed sense of frustration under the clumsy hand of the party bureaucracy; and the world has seen for itself how bitterly frustrated they feel. How much longer will they be content without the rights which are the breath of life to their counterparts in other countries—such as the right to objective opinion, to travel freely, and to exchange thoughts intimately and at leisure with foreigners working in the same field?

All this must be obvious enough to the clearer brains in Moscow. It must also be obvious to them that to abandon *apartheid* need not involve disclosing any vital military secrets. It is human contact that is in question. It must be genuine, unchaperoned contact between individuals; no mere extension of the present system of heavily conducted tours will suffice; but have the Soviet rulers so little confidence that they fear that individual friendships will destroy the foundation of their state? Their fears should perhaps take an opposite direction. In the files of *Izvestia*, they will find a recent article by Mr Sergei Obraztsov, the puppet master who appeared this year at a London theatre. Reflecting on his journey, he wrote:

> Moscow and London are *near*—right next door. Then why is the distance so great between people? . . . Friendship between peoples is impossible without getting to know one another, without personal contact, without concrete personal friendship. This plain truth is sinking deeper and deeper into the minds of millions of people in different countries.

If the Communist leaders continue to make such friendships impossible, they may find it equally impossible ever to calm western suspicions and fears. Indeed, they will have provided further evidence that those suspicions and fears are not unjustified.

Notes of the Week

Brussels Lace?

As a fact-finding tour, Mr Eden's journey through Europe looks like yielding more results than did the Labour leaders' visit to China. As an emergency blood transfusion to save a heart that had nearly stopped beating, it has already had a notable effect; colour has returned to Europe's momentarily waxen face. There can be nothing but praise for the speed with which the Foreign Secretary has moved. Yet, with due respect to Professor Einstein, it is to be feared that in this case the equation between energy and matter does not apply; no amount of mere motion will fill the vacuum left by the French rejection of the European Defence Community treaty on August 30th.

What substance can be found to do so? The case for blowing the dust off the Brussels Treaty of 1948 and drawing Italy and Germany into it is certainly an interesting one. It is a stout little treaty; it binds Britain, France and the Low Countries to afford any one of them that is attacked "all the military and other aid and assistance in their power." Textually, it is thus a tighter bond than the Atlantic Pact, the signatories of which are pledged only to take "such action as they deem necessary" if one of them is attacked. But the Brussels group, having been absorbed into Nato, has never itself acquired the kind of strong links that Nato has developed by the creation of a command structure, a common system of bases and supply lines, and joint manœuvres over a number of years. Nor has it any supra-national characteristics of the EDC type; and there seems to be no intention of grafting them on to it. The Brussels idea offers three encouraging aspects: for France, no loss of sovereignty; for Germany, no invidious discrimination; for Britain, a means of grappling itself reassuringly to Europe within the framework of a treaty that exists and has long been generally accepted by public opinion. Yet it would be wilful blindness to regard it as anything but a poor second best to the discarded EDC; and it does not remove, though it may diminish, the difficulties of the problem of Germany's future relationship to Nato. Naked realities cannot be wholly concealed by throwing over them a veil of Brussels lace, however historic and intricately worked.

Dulles from the Blue

It is to be hoped that Mr Dulles's abrupt decision to cross the Atlantic is not as ominous a portent of Anglo-American disunity as his departure from Geneva. The descent of the Secretary of State and an imposing retinue on Bonn and London just as Mr Eden was completing his grand tour inevitably suggests the appearance on a small stage of a second star trying to jostle the first out of the way; and confusion, at the least, is the immediate result. The precise reasons for Mr Dulles's trip were not announced. But it is evident enough that two different lines of action have been favoured in London and Washington since the failure of EDC. Mr Dulles's first proposal was for a meeting of the Atlantic Council. From the Foreign Office came the suggestion that a conference of nine states should precede any meeting of the full council. This, in turn, found little favour in Washington, and Mr Eden set out on his personal tour as a substitute first step. Now Mr Dulles appears on the scene. Is he simply impatient about Mr Eden's tactics?

Some delay must certainly be inherent in any plan to negotiate within narrower limits than those of Nato some substitute for EDC, an attempt which might, indeed, end as negatively as EDC itself. Anxiety about that may be the chief motive behind Mr Dulles's action. Another, and a very rational one, might be his fear that Congress would not listen sympathetically to a new European project that appeared to have been devised under British leadership while the Secretary of State was preoccupied with the Far East. Again, one can well imagine that Mr Dulles, to whom action is the breath of life, found it personally painful to be absent from the scene of so much activity. But a visitation so brief as to leave the nettled French on the sidelines needs a good deal of justification; and it is a significant point that even in Germany opinion seems out of sympathy with Mr Dulles's haste, while Mr Eden's approach has proved popular there.

Dr Adenauer Alone

Mr Eden's visit saved Dr Adenauer from having to appear before the *Bundestag* last Tuesday with empty pockets. It would have been very difficult for him to say anything encouraging in his planned statement; the atmosphere would have been heavy with failure. In the *Land* elections in Schleswig-Holstein, the voters had clearly shown that they no longer consider the Chancellor the statesman he was. The Christian-Democrats' share of the votes fell from the exceptional peak of 47 per cent in last year's federal elections to only 32.2 per cent last Sunday. Dr Adenauer's party lost to all the others and suffered from abstainers as well. In a predominantly rural *Land*, the Social-Democrats gained the most outstanding victory, and now have the same number of seats as the Christian-Democrats.

Little comfort can be found in the fact that Dr Adenauer retained an absolute majority in Schleswig-Holstein with his federal government coalition partners. The term "coalition partner" has become misleading since the French killed the EDC. Dr Adenauer has been shot at from all sides, and the Free Democrats, the second largest party in the coalition, have taken the lead in asking him to give up the office of foreign minister. It has indeed been hard to find a friend of Dr Adenauer's in Bonn in the last two weeks even in coalition circles. He alone has placed the blame on the French; his critics, going to the other extreme, smooth over the part played by France, and forget that Dr Adenauer has not been alone as regards EDC, that American and British policy has been running on the same single track. The politicians have also become vocal who have long resented Dr Adenauer's concessions to the French, notably over the Saar. His lapse of judgment in his interview with *The Times* has injured his reputation further. And from all sides in Bonn resentment was heard about the "defamation" of the Germans in his warning that German nationalists may turn to the East. At the same time the anti-Nazis, rightfully anxious about their future, criticise him for allowing so many former servants of Hitler's regime to occupy important posts and for opening the door to a German army.

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The Chancellor himself, before Mr Eden flew in, had made his stand clear. He demanded a plain, simple declaration returning German sovereignty, and said that Germany would not make proposals for an alternative to EDC, but would await a lead from others. He gave no guarantee that Germany would voluntarily keep its army below the strength of its allies, or otherwise relinquish sovereignty; but he indicated that this is not at all out of the question. Indeed, it is satisfactory to note that the Free Democrats too are likely to accept some form of limitation on arms production and forces, and even guarantees against any future German aggression. The "European idea" is not quite dead.

It is hard to over-estimate the way in which Germans now look to Britain to take the lead dropped by France. There are clearly dangers in the welcome given to the communiqué issued in Bonn after Mr Eden's visit. Exaggerated hopes may have been placed on the phrase which, in the German translation, gave an assurance that Britain can take part fully in the new European unity that is being planned. It would be unfortunate if disappointment with France were followed by disillusionment about Britain. There is great need for clarity on British policy, which is misconceived in many German quarters. Britain, it is thought, may be ready to lead a European "third force," which would hold a balance between Russia and America. German nationalists may indeed one day turn to the East, as Dr Adenauer warned the world, but the main idea that has gained ground since August 30th is that of German Bevanism, neutralism and co-existence with the Soviet bloc.

Opportunity at Strasbourg

Last spring, when the date was set for the meeting of the Assembly of the Council of Europe, it could not have been foreseen that the third and fourth weeks of September would be crucial ones for the European community. The Strasbourg politicians have now, fortuitously, been given a greater opportunity than they have yet had, or may ever have again, to affect the pattern of European development. The Assembly has usually found itself commenting after the fact on major developments. Given the statute under which it operates, this is often inevitable; but at a time like the present, when the props have been knocked from under established policies and agreed objectives, it is not.

During the two years between the signature and the final rejection of the EDC, many of its staunchest supporters were troubled by the fact that the treaty was not fully understood even by its friends, and that ratification by a slim majority would not constitute a real decision for a policy of European unity. It is important for those who are groping for a new approach to know now, while they are still groping, what things people feel strongly about, how much support there really is for "European unity," "closer British association," "supra-national" institutions such as the coal-steel pool, and what these words mean to different people. It is here that the Strasbourg Assembly can be uniquely useful if it will forgo the temptation to be content with platitudes, and forswear, for the next few days, a natural preoccupation with its own future. One thing in particular the Assembly, and perhaps only the Assembly, can do; that is to make clear for the guidance of ministers and civil servants how deeply the urge towards some form of European unity runs. If, despite its recent shock, the baby is still vigorous, now is the time for it to cry out.

Faithful Dobbin

The Trades Union Congress wound up at Brighton last week in good order; the conference hall was then taken over by an assembly of international magicians. Throughout the congress, the General Council remained in reasonably full control. The majority in favour of its view on "German rearmament" was disappointingly narrow; and congress voted against the council in demanding total repeal of the new Rents Act, in declaring its opposition to "any general move by employers or the state" to whittle away the ordinary citizen's "right to expect to retire not later than 65 years of age," and in calling for the abolition of entertainments duty in the live theatre. But the council got its way with surprising ease when it asked for rejection of a motion that would have opposed "any form of wage restraint"; and it steam-rollered its way through the short debate on public ownership, in a way that suggests that the average trade unionist now regards specific proposals for further nationalisation with profound boredom.

This congress showed again that any vote that commands the united support of the leaders of the seven or eight really big unions is almost certain to be carried. Among the most important of these votes, of course, are those for seats on the General Council itself. At the moment the whole congress votes in these elections; the big unions therefore manage to elect their own general secretaries and sometimes their presidents to the council, and fill up the other places with right-wing representatives of the smaller fry. As a result of this system the Communist-dominated Electrical Trades Union has no representative on the council; with

250,000 members, it is the biggest union that is not represented in this way. It is now leading an agitation for a "reform" in voting procedure, whereby the representatives of individual industrial groups would be elected by the members of those groups and not by the congress as a whole.

This system would not, in fact, be likely to help the ETU itself; its candidates in its own section could still be voted down by the mass vote of the non-Communist AEU. Mr Horner, the Communist secretary of the non-Communist mineworkers, would certainly reach the council under this system; but he would not be accompanied by sufficient of his comrades to make real trouble. It is therefore not true to say that the right-wing composition of the General Council is due to any gerrymandering at the congress itself. It is a stable phenomenon, rather than the result of some dubious sleight of hand; and what a very fortunate phenomenon it is.

Before the Conservative Conference

WHILE Labour party factions have been noisily sharpening their knives for the coming battle of Scarborough, Conservative constituency parties have been quietly grinding their axes. The agenda for the Tory conference, which is to open at Blackpool on October 7th, has not yet been published; but it is said to be unusually heavily loaded with resolutions. This is all to the good, because it suggests that the Conservative conference is still a developing organism. At Labour conferences the excitement springs solely from what is said and done: the mechanics of the meeting and its composition are only too well known. Conservative conferences, on the other hand, are still to some extent enigmatic. The relation between the platform and the floor has not yet been fixed; the hierarchy is left wondering whether it will for ever be able to rely upon the almost blind support of the rank and file. In recent years it has seemed as though the floor were growing steadily more assertive, and a large agenda for next month's conference is a sign of vitality in the constituencies.

The Conservatives at Blackpool naturally expect to benefit from the quarrels of Labour, but though this may give them a temporary advantage they can only thrive in the long run on their own positive proposals. Some Conservative leaders believe that the Blackpool conference will be dull; but the rank and file, entering the fourth year of this Government's life, will want something better than dullness to stimulate their campaigning. Emotionally, the conference may be quieter than that of last year, when Sir Winston Churchill returned to public life and Mr Eden ended his convalescence. Since then, the party has adjusted itself to the inevitability of change; it does not, however, expect to learn anything new at Blackpool about that change's timing. In foreign affairs, Mr Eden's dominance is established. He has had his way over Suez, and the issue seems to have excited the public very little. In domestic affairs, Mr Harold Macmillan has continued to provide houses, but has tackled rents in a way which may give the Tory canvassers some trouble. The scale of national expenditure remains a nightmare to many loyal supporters of the party, but few Tories are disposed to attack Mr Butler's general financial management. Agriculture has not yet been rescued from the confusion which the Chichel Down affair revealed, though Mr Heathcoat Amory's persuasiveness should induce the conference to allow him a little more time to put things straight.

Breaking the Railway Deadlock

AT a price, Sir Brian Robertson appears to have averted a railway strike this autumn. The National Union of Railwaymen has accepted his new offer as a basis for resuming negotiations, and there is now a chance of an agreement covering all branches of the railway staff.

The NUR has agreed that the new minimum for adults should be £6 5s. a week to begin with and £6 7s. after one year's service, compared with a present minimum of £6 4s. 6d. The next step is to secure agreement on the wage to be paid to the NUR's most skilled workers—the top-rated signalmen. Their present wage rate is £8 10s. 6d. a week; the Transport Commission had offered to increase this by 4s. 6d., but it can be taken for granted that this offer will be raised in the course of the new negotiations. Once the highest and lowest rates have been settled, the Transport Commission and the NUR are to seek agreement on the grades in between. The union has for some time been pressing for a reduction in the number of grades. Since there are now as many as 66, this request seems reasonable. But as nobody can be down-graded in terms of cash, a wholesale reshuffle would mean a further sum for the commission to find over and above any increase decided on for those whose grading is unchanged.

An unknown factor in this new attempt at a settlement is the attitude of the Associated Society of Locomotive Engineers and Firemen. It and the third railway union, the Salaried Staffs' Association, have accepted the Transport Commission's invitation to a joint meeting with it and the NUR, which was due to take place on Friday. If the ASLEF agrees to resume direct negotiations with the commission, instead of insisting on arbitration, it will presumably mean that the commission is prepared to pay considerably more than the 4s. 6d. rise which was its previous offer to the engine-drivers. They themselves had asked for an increase of 26s. 6d., but they are not of course going to get it. What is also unknown, because so much remains to be decided, is the total cost of the agreement—if it is achieved. Even if it proves to be less than £6 million a year, it will still have to be found, not from a subsidy—as the NUR recently contemplated—but from higher charges or increased productivity.

When Thai fears Thai

"IMMINENT" was the adjective used by the Siamese prime minister's office to describe Bangkok's fears of aggression by Pridi Phanomyong's "Free Thai Army." Now that a week has elapsed, one is tempted to ask how imminent an aggression can be. It may be assumed, however, that the Siamese spokesman had in mind an aggression of a less formal kind than one is used to in the West. In the new pattern of warfare, subversion is as important an element as invasion, and it is becoming increasingly difficult to determine where the one ends and the other begins. In Siam's case, the threat comes equally from across the Chinese and Indo-Chinese borders. There are three villains in the piece: the exiled Pridi, who has kept Bangkok in a state approaching the jitters since he came out with an article in Peking some weeks ago, calling on the Siamese to rise against their "puppet government"; a personage called Tiang Sirikhand, reported to be the leader of a Pan-Lao party which advocates the creation of a state uniting the Laotians of Laos itself and of north-eastern Siam; and Prince Souvannouvong, "prime minister" of the Viet Minh-supported Pathet Lao state in the jungles of northern Laos.

In itself, each of these movements might not present a threat that it would be beyond Siam's capacity to counter; together, linked by the dream of a Thai Federation and with the tacit military support of China and the Viet Minh, they look somewhat formidable. There is no reason to doubt the recent estimate by the Siamese prime minister, Marshal Pibul Songgram, that there are only 10,000 Communists in the whole country; but there are two or three million Chinese and several million Laotians in Siam, not to mention a potentially dangerous Vietnamese minority. Siam has, indeed, all the elements of a subversives' paradise. Whether armed attack is really in the air or not is difficult to judge, but the Siamese warning should not go unheeded: it is a clear notice to Seato that its services may be required sooner than had been expected.

After Iraq's Elections

ELECTION day in Iraq was September 12th, with an initial 300 candidates for 135 seats. But, in the event, the election took unexpected forms; 111 members were returned unopposed by September 7th and another dozen three days later, and of these, all, except two of the Istiqlal party, were independents. Even when the remaining results come in, an overwhelming majority of ostensibly non-party men is assured. The elections themselves were conducted without disorder, but the motives of so many candidates in withdrawing are not completely clear: among them, no doubt, are the fear of being shamefully outvoted, the probable loss of a deposit, or apprehension of official pressure in favour of sponsored candidates—and some effects also, probably, of the change-over from double-stage to single-stage elections.

Meanwhile, the questions of immediate interest are two: the actual allegiances and convictions of the "non-party" majority, and the probable attitude of the opposition. The nominal independents include not only a dozen genuinely non-party men, but perhaps 15 to 20 members of the Umma (Salih Jabr's National Socialists, which, as a party, boycotted the elections) and a few representatives of the recently suppressed National Democrats of Kamil el-Chadirchi and of the ill-defined "Popular Front." This leaves a more or less hard core of some 80 or more definite supporters of Nuri Said, whose own Constitutional Union party was itself dissolved, as a strategic move, immediately after he assumed the premiership. Although changes of attitude by individual deputies under various stimuli (including intimidation) are common in Iraq, it seems that Nuri has an abundant majority to support him in the Anglo-Iraqi treaty negotiations which lie ahead.

The opposition will come, as ever, from the anti-western and in certain cases strongly left-wing spokesmen, whose negative influence is apt far to exceed their numbers. These are certain to condemn the new chamber as improperly elected; but they will be able to withstand majority decisions only if they use sadly familiar methods, such as the encouragement of tribal unrest in the middle Euphrates or Kurdistan, and the incitement—fatal to the Treaty of Portsmouth in 1948—of the Baghdad mob.

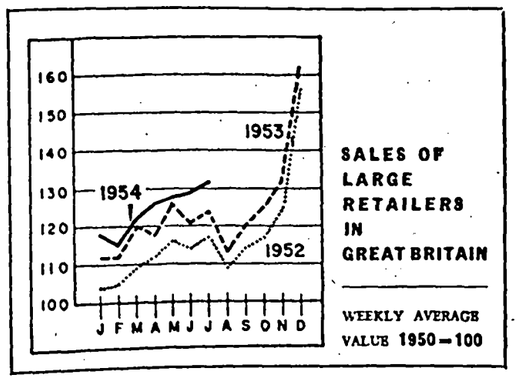
Unperson, 1954

RECIPIENTS of the latest volume of the Great Soviet Encyclopaedia have found enclosed in it a discreet printed slip, on which the Moscow state publishers "recommend" readers

> to remove pages 21 to 24 from Volume 5, and also the portrait between pages 22 and 23, in exchange for which pages with new text are sent to you. The pages should be cut out with scissors or with a razor blade, the spine of the book being left intact so that the new pages may be stuck against it.

It is not a recommendation to be treated lightly by anybody within the reach of the MVD, for the entry which is thus deleted for all time from the knowledge of Soviet man is the long and laudatory biography of the late Lavrenti Beria, and the portrait that must now be piously burnt is his. The nightmares of George Orwell's "1984" have become a reality thirty years ahead of time in the vast area between Saxony and Shanghai, and Beria is already an "unperson," the record of his career "unfacts."

The space vacated by the former First Deputy Prime Minister is to be filled with an interesting assortment of items, headed by a photograph of a whale in the Bering Straits. Two distinguished Englishmen follow: Edmund Burke, "reactionary publicist and politician," and Bishop Berkeley, "reactionary philosopher and exponent of subjective idealism." This is a most felicitous choice. Burke, the impeacher of Warren Hastings, thus serves vicariously as a kind of People's Procurator in the more summary



trial of Beria; while Berkeley might well have been the first to agree that a man who can no longer be perceived cannot be regarded as having any reality. The state publishers of Moscow should be congratulated on the delicacy of their irony.

Pig–hoo–ey!

THE magic call "Pig-hoo-ey," sung in unison by Lord Emsworth and Beach the butler, was the means of urging to the trough that temperamental prize-winner, the Empress of Blandings. The call will also serve as a mournful comment on the present plight of the Fatstock Marketing Corporation, the Ministry of Food, and the Treasury. The existence of too many pigs—and particularly of too many fat pigs—is now the bane of their existence.

In the last few weeks, farmers have been offering a glut of bacon pigs to the Fatstock Marketing Corporation, the company formed by the National Farmers' Union, which has acquired a virtual monopoly over their disposal. This immediate problem has no connection with the competition of imported bacon supplies, which have been released at no more than a normal rate. The limiting factor is that bacon curers in Britain can absorb at most about 100,000 pigs a week, compared with the 154,000 pigs offered in one recent week to the corporation. The surplus pigs have to be switched to the depressed pork market—to the discomfiture not only of farmers but also of the Treasury, which has to pay a higher subsidy to cover part of the losses on them.

The corporation has evidently succumbed to the temptation to boost prices, which is open to a producer-controlled monopoly. But the fault is not wholly the corporation's. In contrast to Denmark, too few producers in Britain breed scientifically for the bacon market; to cut down the supply of unsuitable pigs, the corporation will guarantee a sale only to those producers who consistently offer a high proportion of good quality baconers. But the more fundamental need is for a great improvement in the methods of pig management and pig breeding, towards which the introduction this month of a national pig recording scheme is a small contribution. *Other needs, of course, are to adjust the relative prices of pigs for bacon and pigs for pork; and to recognise that the guaranteed prices for all pigs are excessive.*

There will, however, be pressure from a third way out: to expand curing capacity in this country while restricting Danish imports. So long as Danish farmers supply bacon at about 60 per cent of the price paid to British producers (who are now raking in total subsidies of £1 million a week) this course should be bitterly resisted.

A Union of One's Own

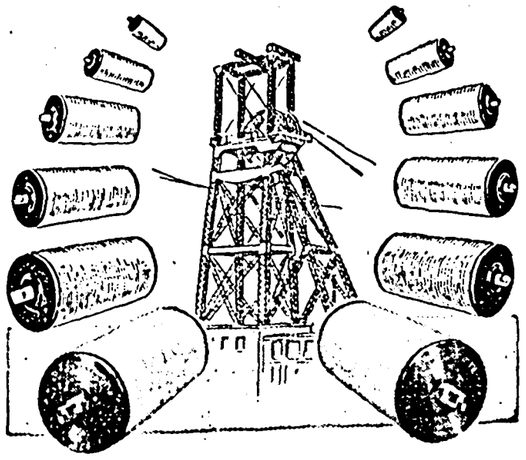
TO twist the tail of the Transport and General Workers' Union is now almost a registered national sport; and another opportunity has been afforded for it this week by the news that a majority of the dockers at Hull and Birkenhead intend to desert to the rival union of National Amalgamated Stevedores and Dockers. In this case criticism of the TGWU is unfair. As a result of its long and successful battle to de-casualise work at the docks, it operates under a rigid agreement with the employers. Nearly every unofficial strike that flares up at the docks is in breach of this agreement; and the TGWU is therefore usually bound to advise its members to go back to work before their grievances are discussed. The local union official who passes on these instructions is appointed by, and responsible to, headquarters in London; and he is usually regarded by dockers in his area as "one of them" rather than "one of us." To this must be added the age-old feeling of many dockers that they would like to have a union of their own, rather than a rambling organisation that they share with so many other industries. The surprising thing in these circumstances is that there have not been more breakaways already.

A breakaway has always been possible because the small NASD, which started poaching dissident members from the TGWU as long ago as 1923, has been an uninhibited alternative suitor. It has got its new opportunity largely because the recent strike at Hull was based on a genuine grievance and was not Communist-led; the youthful leaders that became prominent in the course of it have inspired intense personal loyalty, even although one of their motives in the proposed breakaway may be the belief that they can build up positions of influence for themselves in a smaller union. The proposed breakaway at Birkenhead, which does seem to be Communist-led, is being aided by the fact that the movement at Hull has made drastic action respectable.

The TGWU has refused to co-operate with NASD on the national joint council of port employers and workers, and is referring the matter to the TUC's disputes committee. This body does some very useful work in settling quarrels between individual unions; for example, it is at present doing its best to smother the quarrel between two printing unions, which at one time threatened to hold up the publication of all national daily newspapers. But the TUC has no potent disciplinary powers, and it is not going to find it easy to bring the headstrong NASD to heel. If it fails to do so, this may be the signal for more trouble—and also for less effective union representation—at the docks.

The Squire's Successors

THE impending sale by the Duke of Devonshire of fifty farms, covering 4,500 acres of land in the Peak District, raises again the question of who is to replace the large private landowner, as death duties cumulatively mop up his once broad acres. Indeed, the Derbyshire branch of the National Farmers' Union believes that it raises an agricultural problem which "justifies a national inquiry." The reason given by the farmers is rather curious. The Duke, like all good landowners, is giving his tenants every encouragement to buy their own farms; they can buy them with borrowed money, but they protest that the mortgage payments they would then have to meet would far exceed their present rents. This "hardship"—and to individual farmers it does seem a hardship—is a reflection of the fact that



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PROGRESS IN ELECTRONICS

The wonder of television is already lost to the millions who see and hear in their own homes events which may be occurring hundreds of miles away. And even to those who do not yet possess a receiver, this modern miracle is hackneyed by the daily news it makes for them to read. It is already an accepted part of our lives, to be judged and debated not on its technical qualities, but on its value as an entertainment and its influence on our culture.

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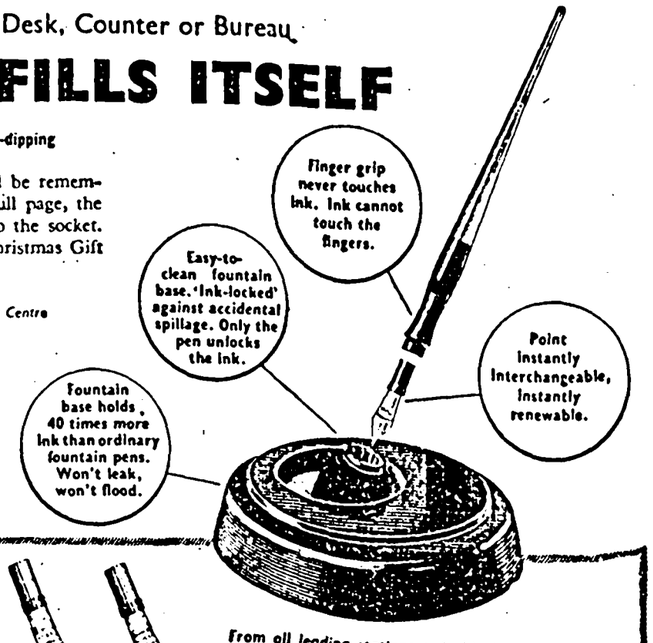
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agricultural rents remain ridiculously low; they have risen on average since 1939 by *little* more than 30 per cent, compared with around 250 per cent for farming costs and 400 per cent for farming profits.

The long-term health of agriculture requires higher rents than this. But, since 60 per cent of Britain's land is farmed on the landlord-tenant system, it also requires good landlords who can afford large and stable investments of capital. The only large private purchasers likely to come forward are those rather unkindly described by the Duke's agent as "spiv landowners"—by which he means businessmen willing to sink large sums in agriculture for non-agricultural reasons. Some of the capital thus provided comes in search of the preferential tax and death-duty treatment of agricultural land; consequently it is liable to sudden withdrawal, while the schedule of improvements and rents will often reflect the complexities of the owners' tax account rather than the possibilities of efficient production. Agriculture has also a surprising number of small landlords; in some counties they outnumber the farmers. But these small men have often little capital to contribute to agriculture—and they often do not appreciate the economic possibilities of their land.

There is no solution to be found in further unilateral tax concessions to agriculture; these would merely add to the present instability and distortions. The proper remedies are threefold. First, tenants should be given more incentive and improved credit facilities to acquire their farms; they should not be given subsidised credit facilities compared with other small businesses and private people buying their own houses, but neither should their facilities be worse than those available for these groups. Secondly, the financing by partnerships or joint stock companies of fairly large self-contained units should be in every way encouraged. Thirdly, landlords should be persuaded, by tax adjustments and in other ways, both to charge higher rents and (as a corollary) to invest more new capital.

First Aid for France's Economy

IN the interval between its North African headaches and the European nightmare, the government of M. Mendès-France has found time to announce its first batch of economic decrees. These are based on the foundation of the wide powers already granted to the government by the National Assembly, and form a part of the plan to modernise the French economy through freer trade and higher productivity. Among the first decrees there are three interesting ones: the tentative liberalisation of up to 65 per cent of imports from quantitative restrictions, ahead of the timetable agreed with the OEEC; the cut in fuel and power prices for certain industrial users; and the creation of "reconversion" funds to modernise industry and assist labour mobility.

These are merely the first steps, but even these will increase the burdens of the French treasury. It is provisionally estimated that, without any radical cuts in expenditure, the total budgetary deficit (including "below-line" expenses) will for the first time exceed 1,000 billion francs next year. M. Faure, the finance minister, has expressed his satisfaction with the progress of industrial recovery combined with price stability. At the same time he asserted that everything must be done to avoid a new inflationary dose. Yet where are the cuts to come from?

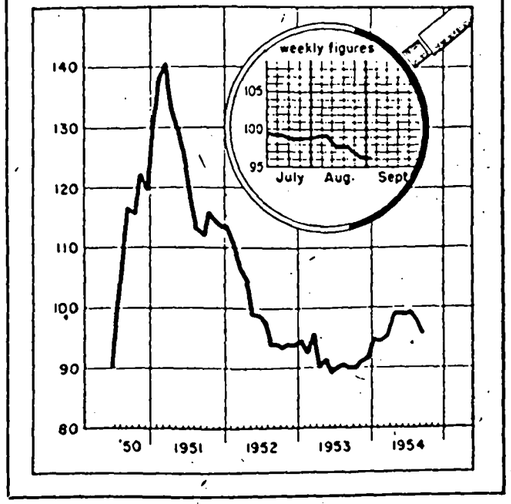
When the first budgetary proposals are deposited next month in the parliamentary commissions, M. Mendès-France will soon rediscover that ministers and deputies seldom agree on the definition of "unproductive expenditure." Politically, the reduction of defence expenditure is probably the safest way out (though it is argued in Paris that such intentions were the real cause of the recent resignation of General Koenig, the Gaullist minister of defence). But not much saving is expected from this source, and the military budget must ultimately depend on the solution found for West European defence. M. Mendès-France has gained a reputation for courage, and he has the economic problem very much at heart. How boldly he can wield the scalpel will, however, depend on the majority with which he emerges from his European tangle.

The Ostrich and the Stork

AS Mr Attlee learnt in Peking, the problem of feeding swiftly growing populations—the subject of an article on page 876—does not furrow the brows of Communist leaders. On the contrary, Moscow and Peking welcome multiplication. Russian maternal stakhanovites gain the title of Hero Mother. China, Mr Attlee found, is prepared to see its population rise to 700 or 800 million in the next two decades:

> There is actual encouragement to intense fecundity. I think that the real reason is that, China being admittedly a backward country, its rulers hope to make up in quantity what they lack in quality in order to achieve a position of power in the world. It is a disturbing thought.

COMMODITY PRICE INDICATOR
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There is good ground for this interpretation. It is only a few weeks since Peking proudly announced that its census takers (whose figures are rightly treated with caution by international statisticians) had totted up 602 million Chinese —a dramatic increase above the 454 million estimated in 1946. Already the impressive new figure is at the propagandists' fingertips; 600 million Chinese, we are told, cannot be denied a voice in Uno, represent the greatest market in the world, and so on. It is painfully reminiscent of the way the Nazis accompanied their clamour for *Lebensraum* with propaganda for a higher birth rate; and it is an anxious outlook for China's smaller neighbours, all of which have sizable Chinese colonies.

At the Rome conference on population, Communist theoreticians answered all such doubts not with argument but with dogma. Soviet experience, they asserted, showed that Communist economics could not fail to fill a growing number of mouths. Yet Malenkov and Khrushchév have lately revealed that Soviet agriculture is struggling with crucial shortages; Lysenko, the green-fingered wizard, is now said to have done "immense harm"; and reactionary Scandinavia and Argentina have been called in to help restock the Moscow food shops. Outsiders may be forgiven if they ask for a rather closer look at the alleged cornucopia of Communism.

Some reports from Rome described the Communist and the Catholic delegates as forming a "Micawber bloc," united by its carefree attitude to the threat of over-population. This was not wholly accurate. An authorised Catholic spokesman assured the conference that it was the duty of governments to warn their citizens of the threat, and to discourage any dangerous excess of births. The Catholic church is not wavering in its opposition to all artificial methods of birth control; but it has begun to face grim facts. Earlier in the conference Dr Julian Huxley had pictured our world as a hybrid bird, part stork, heavy laden with babies, and part head-in-sand ostrich. It seems, however, that only in the Communist sphere is the head still firmly embedded.

Surplus of Doctors?

A FEW years ago it was said that the health service could not be a success because there were not enough doctors to run it. Now it is being almost as confidently predicted that there will be unemployment among doctors in the 1960s. Last year, at the first world conference on medical education, one of the English delegates spoke of the need to balance the intake of medical students with the national need for doctors, and suggested that the University Grants Committee should undertake the task. This year's annual representative meeting of the British Medical Association carried a motion asking the Ministry of Health to set up a committee to study the problem. Last week, the Medical Practices Committee, the statutory body that fills vacancies for general practitioners, added its warning about prospective unemployment.

According to the committee's fifth report, the distribution of general practitioners is now much more even throughout the country. In 1948, the average number of patients on each doctor's list, in "under-doctored" areas, was 3,163. By the end of 1953, the average had fallen to 2,525, compared with an average for the country as a whole of 2,183. The committee's powers of altering the distribution of doctors are only negative. It can refuse permission to a doctor who wants to start a new health service practice in an area deemed over-doctored. It cannot tell him to go and practise somewhere else. Doctors have to be drawn into the unpopular parts of the country mainly by their inability to make an adequate living elsewhere. Now that general practitioners are much more evenly distributed, the coming generations of doctors will find it increasingly harder to make a comfortable living anywhere.

Over a long time, no doubt, the realisation of this will be reflected in a reduction in the number of young men seeking admission to the medical schools. At present, large numbers are turned away, but as many as 2,500 medical students are being enrolled each year in the United Kingdom and Eire. This year's students will not complete their training until 1960. If the Medical Practices Committee's prediction is correct, they will find it extremely difficult to find an opening in general practice; nor is it likely that hospital budgets will allow them all to be absorbed into the hospital service. Since a medical school is a particularly expensive part of a university, it would be wasteful to wait for the surplus of doctors to right itself—unless the Government is hoping to staff from it the undermanned and underpaid medical services of the armed forces. An expert inquiry into the matter certainly seems overdue.

Retribution or Reform

In the anger and indignation naturally felt at base, cruel, and wicked actions, there is at least a reason, or a justification, or at any rate a strong natural motive for flogging a child or slaughtering a man; and if experience have taught us that it is wrong to act on such a natural motive—that the extreme indignation and violence of the virtuous are erroneous like the wrongfulness of the criminal—this must be considered as one of the many very striking contradictions we continually discover, as society advances, between our impulses and the wisdom given by experience. What is called the heart, or the impulses and passions, and particularly the passions and impulses of ignorant and savage man, are too frequently at variance with the intellect to permit us to place our reliance exclusively on them. To achieve well-being man must get knowledge of himself, as well as the other portions of the material world; and as knowledge is the ultimate test of conduct, the contradiction already ascertained between our experience and the impulse which prompts to punish certain offences with flogging, imprisonment, or death, is an indication that further contradictions between our present impulses and future experience will arise. . . . The intense interest now excited by the subject of criminal jurisprudence; the numerous researches, theoretical and experimental, now making in it; and the contradictory opinions and recommendations promulgated, show that we have a great deal to learn before we can do any good by deliberately inflicting pain on some of our fellow-creatures. Perhaps, too, all these circumstances indicate the coming of a new era in penal jurisprudence, and the discovery of some new principle on which it ought to be founded.

The Economist
September 16, 1854

Enlightening the Consumer

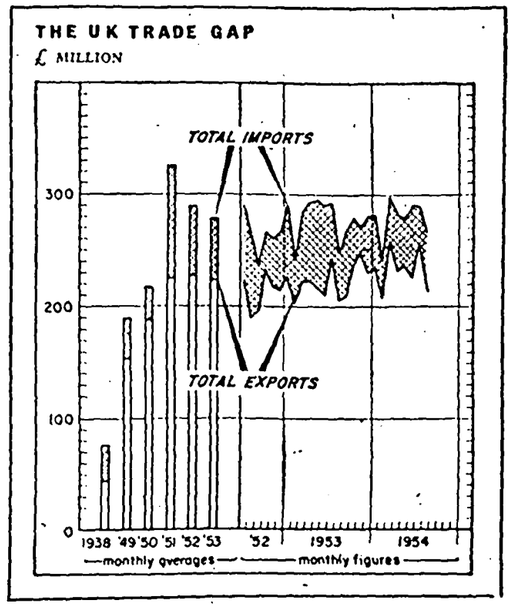
THE Consumer Advisory Council that is shortly to be set up by the British Standards Institution is unlikely to satisfy those militants, in the Labour Party and elsewhere, who want an official and sharp-fanged watchdog to guard the consumers' interests. It should, however, provide both a useful liaison between consumer and manufacturer and a certain check on the unscrupulous minority who thrive on ignorance. The BSI Committees that were originally set up to devise "utility" standards had a necessarily narrow remit; and the Women's Advisory Committee, drawn from the women's national organisations, has proved disappointingly ineffective as a means of mobilising consumer opinion and experience. The new council, while continuing to work through these bodies, is expected to draw its main strength from the distributors, who can bring to its work both technical expertise and the benefits of long experience in dealing with manufacturers' associations.

The scope of any advisory body must remain severely limited so long as the law of libel prevents it from exposing even the most glaring deficiencies of design, material or workmanship, or falsity of advertising claims; and there is at present no question either of altering the law or of giving the new council privileged status. It is something, however, to have agreed standards to which the consumer can refer before parting with his money; and it is a great deal more to have these standards fully publicised and explained, so that the most bird-brained buyer of, say, a summer frock can immediately and automatically translate a given margin of shrinkage into "two inches less round the waist after the first wash." The standards will, of course (and here the distributors' advice should be especially helpful) need to be realistic ones. Experts are apt to have an idealist's bias against goods that, however popular with large numbers of presumably satisfied buyers, match a really low price with a lack of robust quality. The consumer may be unwise in buying, and frequently replacing, shoddy stuff; but so long as he has the means of knowing what he is doing it is no one's business to enforce on him the cult of solidity. In effect, there are two jobs to be done: that of ensuring that choice shall be informed, and that of improving the standards of personal judgment and taste by which choices are made and to which industry must eventually conform. The Consumer Advisory Council is properly concerned only with the first of these; the second is a matter of grass-roots education, in which no central organisation can do much.

Revising Military Law

FOR two years a Select Committee has been considering the form and content of the Army and Air Force Acts, which provide the statutory basis of military law. It has recently published its report and proposals, including draft Bills that could replace the Acts now in existence. The Army and Air Force Acts are a last relic of the now almost discarded belief that it is the right and duty of Parliament not only to control the Executive but also to keep in good fettle the machinery by which it does so. The army and air force still exist only on an annual basis. Parliament must take positive action each year, by passing an annual Act, to keep them in being. This is a good principle, and the committee respects it; it suggests that in future an Army and Air Force Act should have a possible currency of five years before reconsideration in detail, but that it should still need an affirmative resolution from both Houses of Parliament each year for its effective renewal.

The report of the committee is long (some 634 pages), very much a discussion of matters of detail, and on the whole non-controversial. The committee would like some clarification of the regulations governing forfeiture of and deductions from pay; it thinks that there should be no forfeiture without clear statutory authority, and no right for anyone to make deductions from a soldier's pay unless he is specifically authorised to do so either by statute or by the pay warrants themselves. The committee also wants to put an end to the limited exemptions now given to serving soldiers from some of the processes involved in the recovery of civil debts; Parliament should declare that a soldier's clothing and equipment cannot be seized for the benefit of his creditors, but it need not do more than this. Perhaps the most controversial section of the report deals with the status of civilians who accompany the forces overseas but who are not, in peacetime, subject to military law. At present, if these people commit any criminal offence they must be tried before a local court, and if punished by imprisonment must serve their sentences in a local prison. The committee proposes that these civilians should come formally under military law, which would render them liable (as the serving soldier is) to be dealt with either by a military court or by a local court—according to the nature of the offence and the treaty arrangements between the United Kingdom and the country in which they serve. Now that there is a system of appeals from military courts to a tribunal which is in effect a section of the United Kingdom High Court, this proposal seems practical and just. The report awaits Parliamentary action. It deserves to get it soon after the House re-assembles.



Letters to the Editor

Room for Japan

SIR—May I add one reason to those which you gave in your issue of September 4th why the United Kingdom should support the admission of Japan into the General Agreement on Tariffs and Trade? Many of Japan's natural export markets lie in British colonial territories; both the Japanese and the citizens of those colonial territories are relatively poor and "backward" economically; the removal of barriers to the import of cheap Japanese products into those markets would help to raise the standards of living in the colonial territories (by enabling them to purchase cheaper supplies from Japan) and in Japan (by extending the markets for its products). It is not proper for us to help sectional interests in this country by preventing the poorer members of the Commonwealth from buying their supplies at the cheapest available price. And it can only damage our political influence in Asia to treat as beyond the pale for trading purposes a Japan which is attempting to renounce totalitarianism, but sorely needs an economic background in which it can successfully confirm that decision. In the nineteen-thirties we, and other Western countries, made the fatal mistake of allowing Japan to expand by military means, while denying it the ability to expand by free economic competition. We must surely reverse both parts of this error.—Yours faithfully,

J. E. MEADE

London, N.W.1

Fizzkrieg Over Goa

SIR—I fully agree with the analysis of the Goan situation in your September 11th issue.

After a recent visit to India I should like to add a few words for the benefit of those who still think that Portuguese Goa is an Eastern stronghold of Catholicism and a real bulwark against Communism. Although leading Indian and Goan Catholics—including Cardinal Archbishop Gracias of Bombay—agree with their non-Catholic countrymen on the necessity of Goa's becoming an integral part of India, the mere presence of a Catholic colonial power on the subcontinent threatens to antagonise many Indians to Christendom in general and Catholicism in particular. The existence of pro-Portuguese native Catholics in Goa, though small in number, adds fuel to the hostility of those who regard the "Western religion" the sheer vanguard of European imperialism. Consequently, a few thousand "Portugocised" Christians in Goa must be a source of constant embarrassment to the ten million Christians in India—particularly because the vast majority of the latter are anxious to demonstrate that Christendom has no conflicting claims with legitimate Indian nationalism.

The reinforcement of Negro troops in Goa, whose arrival, incidentally, proves that Portugal, for lack of local support, cannot even raise some reliable "Goondas" like the French in Pondicherry, does hardly deter Communist aggression in South-East Asia. But their presence, as well as the otherwise desirable improvement in Portuguese-Pakistani relations, furnish new arguments for the extreme Left in India seeking to feed local suspicion about a "Goa-Karachi" axis directed against India. Moreover, should non-Communist Nehru be denied a success over Goa comparable to the one accorded to Communist Chou En-lai over Indo-China, the effervescent Indian Communists would know how to use this setback in national prestige in their propaganda against both Western intransigence and Congress incompetence.

From the continuation of the present "Catholic-anticommunist" rule in Goa Catholics stand most to lose, Communists stand most to gain.—Yours faithfully,

GEORGE A. FLORIS

London, N.W.1

Malaya's Rice

SIR—Mr J. B. Clegg, Director of Commerce and Industry, Colony of Singapore, asks me to say that prices of rice in Singapore, where there is no rationing of rice, are materially lower than they were during the period of acute scarcity.

Singapore Government is anxious to get out of the rice trade as soon as it can; and if the trade could satisfy the Government that in an emergency there would be a strategic stockpile available, it would get out immediately. Up to now, although the question has been discussed, the Government has not had that assurance.

Discussions with the rice traders make it clear, according to Mr Clegg, that traders will not carry sufficient stocks to meet demands if rice control is lifted. So the Government must maintain adequate reserves, and, to avoid waste of public money and deterioration of rice, must turn over the stockpile regularly.

Merchants will be allowed to buy any type of rice they need once control is dropped, subject to the maintenance of the stockpile, which will be bought in the cheapest markets, in fact through the trade if they can provide it at the right price.

Reports that emergency powers to take over rice stocks could be used instead of stockpiling are valueless; such powers would be worthless if sufficient stocks did not always exist, and the Government would in any case have to take over whatever stocks were available to augment its own reserves. There are no barriers to the re-exporting of rice from Singapore.

The Government is as concerned as traders are to get full supplies of cheap rice for Singapore, and has always fought for realistic rice prices. This policy it intends to pursue determinedly to ensure that there are always strategic supplies of rice for emergency conditions until a flow of supplies to the market is reopened.—Yours faithfully,

JOHN BATTEN

Malaya House

The Liberals and Education

SIR—May I, while gratefully acknowledging the notice given to the Liberal Party's Education Advisory Committee's report, comment on one point? The committee's intention is that the number of grammar school places should be fewer only for the first three years. At the age of 14 there would be an intake from the modern school which in numbers would replace the present C or lower B streams. The committee believes that the grammar schools would be strengthened by this proposal; instead of children of doubtful ability chosen at 11, they would receive children who had proved their ability in the proposed new examination to be taken at 14.—Yours faithfully,

JOHN ARMITAGE

Chairman, Liberal Party Education Advisory Committee.

Moving Britain's Meat

SIR—May I be allowed to mention one or two points on which I should like to comment in regard to the article in your issue of September 4th?

You state that livestock hauliers almost unanimously declined the invitation of United Carriers, Ltd. The facts are that well over half of those who had previously worked for Meat Transport Organisation, Ltd., applied to join but the Directors of United Carriers, Ltd. had decided not to proceed without the support of 80 per cent of these hauliers and as this figure was not attained the proposed livestock section of the company was not proceeded with.

United Carriers, Ltd., is in no sense a "caretaker organisation." Hauliers under charter to it have no guarantee of remuneration as they had under Meat Transport Organisation, Ltd., but are dependent for profit upon the earnings of the company, which, as your article recognises, enjoys no monopoly.

A large-scale organisation with experience in the handling of traffic can secure and has in fact secured operational economies which are not open to firms operating individually, and is in a much better position to obtain a high load factor. Firms who have joined United Carriers, Ltd., will have every incentive to carry on their own undertakings efficiently and economically.

So far as casual hauliers are concerned, work undertaken for the company is in many cases only part of their business. The 10 per cent deduction from their gross takings is a maximum and will be reduced if the costs of the company incurred on their behalf amount in the aggregate to less. Equitable sharing of traffic is not the only advantage which casual hauliers obtain. Apart from the operational advantages referred to above, they will receive prompt and regular payment for their services by the company which undertakes all invoicing of customers and collection of cash from them.—Yours faithfully,

P. J. R. TAPP

United Carriers, Ltd., London, S.W.1

A Confusion of Councils

SIR—In your article of August 14th entitled "A Confusion of Councils" you assert that it is at district council and non-county borough level that local government is represented at its most local and that their affairs attract local interest much more readily than those of "the powerful but remote county council." All, of course, agree that local government must first and foremost be local; but this is not a problem in the small counties, such as my own County of Rutland, where, in fact, the county council is far less remote than many district councils. The point would appear to be yet another sound argument in favour of the small administrative county; yet towards the end of your article you advocate the proposals of the Local Government Boundary Commission which "would amalgamate a few counties." Rutland was to have been one of these. Such a proposal would inevitably run counter to the existing sense of local pride and community of interest and would indeed destroy the whole "local" atmosphere; for once you cross the boundaries of geographical counties for local government purposes you cease to become local, and in the eyes of the residents of the county the administration becomes remote, impersonal and at best quasi-regional.

In any case why interfere where no great problem exists? The small county councils, in close and personal touch with the electorate, are carrying out their duties efficiently. There may well be urgent problems elsewhere, notably in the great concentrations of urban population; but I beg those concerned with formulating future plans not to include those that need little reorganising merely because others need much, but rather, in the case of small counties, to bow to the wishes of the local residents, and leave well alone.—Yours faithfully,

G. K. F. RUDDLE

Oakham

Books & Publications

The Weak and the Wicked?

MONOPOLY AND COMPETITION AND THEIR REGULATION.
Edited by E. H. Chamberlin for the International Economic Association.
Macmillan. 549 pages. 36s.

MONOPOLY is a conspiracy of bad men in top hats to exploit consumers, suppress inventions, and crush virtuous small producers; if all monopolists were jailed, the Golden Age would return. Competition is wasteful, cut-throat, anarchic and ruinous; till competition is abolished, the Golden Age will never arrive.

Monopolists are the heroes of dynamic progress, since they alone, by virtue of the size that ensures their dominance, can take long views, hire first-rate brains, foster research; to dismember these beneficent giants, or to prevent them from safeguarding themselves against the hit-and-run raids of ephemeral rivals, is short-sighted reaction. Competition is the only reliable spur to efficiency, making every business man put his best foot forward and his thinking cap on, and it also provides the only mechanism by which resources can be rationally distributed between different uses; to allow competition to be impaired is to court stagnation and distortion.

There is no such thing as "perfect" competition, for under the textbook conditions of universal knowledge and frictionless reaction all competitors would automatically combine; there is precious little "pure" competition, for product differentiation on the one hand, and economies of scale on the other, ensure that it shall always become a rivalry of oligopolists. There is no pure and secure monopoly, since every product has substitutes, however remote, and no producer can be sure that a closer substitute is not just round the corner; monopolists are competitors. Monopolistic competition provides the worst of both worlds; therefore private enterprise, demonstrably doomed to monopolistic competition, is irrational, wasteful, and has not a leg left to stand on. Monopolistic competition is a good working solution, and it only needs to be kept anxious and active to ensure, in rough but generous measure, a progress and rationality which would be hopelessly compromised were private enterprise to disappear.

Thus, at successive stages of sophistication (the last, of course, in deplorably crude summary), the debate on competition, monopoly, and the policy to be adopted towards them. The International Economic Association, at its first conference in 1951, naturally kept its arguments on the highest level, and its reported proceedings are professional rather than general reading. For the student wanting a reasonably up-to-date conspectus of economic opinion and policy "Monopoly and Competition and their Regulation" is a treasure-house. Nine "country papers," each describing the relevant economic and legal situation in one particular country, are followed by papers on the forces making for and against monopoly, on the theoretical problems of competition (Mrs Joan Robinson setting a characteristic cat among the pigeons, Professor Chamberlin taking an almost Pyrrhonian attitude on measurement), on the welfare aspect, on regulation and control, on the relation of monopoly to stability and progress, and on nationalisation.

Finally, the ensuing discussion is summarised. No resolutions are passed nor conclusions recorded; the reader is left with an intellectually uncomfortable but probably salutary awareness of extreme complexity. One does not, however, refuse to sit in a chair because the physicists have shown it to consist of an essentially unknowable whirl of sparsely scattered electrons; one may similarly side with those who preserve a rough pragmatic belief that competition, or something usually so labelled, makes for economic righteousness.

Essential Aesthete

JOHN RUSKIN.
By Joan Evans.
Cape. 447 pages. 25s.

> Ruskin himself is a very simple matter. In face, in manner, in talk, in mind, he is weakness, pure and simple. . . . To see him only confirms the impression given by his writing, that he has been scared back by the grim face of reality into the world of unreason and illusion, and that he wanders there without a compass or guide—or any light save the fitful flashes of his beautiful genius.

SO, with the real if limited penetration of the tyro novelist, wrote Henry James in 1869. And on a first impression Dr Evans's book may appear largely given over to documenting James's judgment. Ruskin emerges—and the picture is already familiar—as a manic-depressive, fixated in some state of morbid dependence on his parents and incapable of the responsibility and act of marriage; intellectually incompetent and isolated; amateurish, derivative and surprisingly ignorant in almost every field that he diffusely pro-

fessed; gaining a great reputation less with the cultivated and informed than with a recently enriched class anxious to be right about art and grateful to have it explained in terms of familiar moralistic commonplace; retreating from a trenchant if unsubtle social and economic philosophy picked up from Carlyle first into the cloud-cuckooland of St. George's Guild and finally into the terrible security of madness.

Yet Ruskin—Dr Evans clearly sees—was not "a very simple matter." For behind his genius, fitful and limited as it may have been, lay real nobility, and even a kind of power. He was far more noble indeed than either weak, absurd or crazed. Essentially an æsthete, compelled intensely to feel and able often marvellously to convey in words the sheer beauty of the visible world, he strove all his life to convey also a confused but passionate sense of that beauty as a divine language, supremely important not to the æsthete merely but to every man as a creature of good and evil. And if he dealt, in consequence, largely in nebulous elevations and edifications, he yet preserved, as long as reason remained to him, certain basic clarities and the courage to act in terms of them. Believing some participation, however lowly, in the processes of creative art to be the birthright of every human being, he turned to fight a society by which he conceived this truth to be increasingly denied. In doing so, he set his mark upon England. The Natural History Museum at Oxford is one of his aptest monuments. It is undeniably queer—the chemistry laboratory is modelled on the kitchen of Glastonbury Abbey—but it is plainly striving to express a complex of ideas, most of them good in their kind. Nothing of the sort is to be observed in later buildings in the same neighbourhood.

Ruskin was no scholar, even in his own field, and there is something pleasing in the fact that it is a great scholar who has now honoured him. For honoured he is, since the portrait is full and fair, restrained but moving. This is a book that deserves a permanent place among English literary biographies.

Six Experts in Search of a Synthesis

THE SYSTEM OF INDUSTRIAL RELATIONS IN GREAT BRITAIN.
Edited by Allan Flanders and H. A. Clegg.
Basil Blackwell. 388 pages. 30s.

THIS is frankly a text-book rather than a work of original research. Six experts—on trade union history, law and organisation, on employers' associations, collective bargaining and joint consultation—have come together to write essays on their subjects, of somewhere between 40 and 90 pages each. The method has obvious drawbacks. Each author is apt to start in the leisurely style appropriate to a book rather than to a section; by the end of his allotted span he is sometimes spinning a little wildly, trying to fit ever more facts into an ever-narrowing compass. The method also leads to a certain unevenness of style and to an unexpected order of treatment, which is bad luck on the book's principal potential reader—the student who will read it with a pen poised over his notebook.

These defects of method are regrettable because this is a book by important experts on an important subject in which there is an important gap to be filled. There is still a need for a general and simple textbook that will help the student (and the ordinary intelligent observer) to understand more clearly what makes the unions tick, which of several bewildering courses any particular dispute may take, and how industry's conciliation machinery creaks and groans and surprisingly often works—at both a factory and national level. Several recent books have filled parts of this gap, sometimes while attempting to fill the whole. This book makes another contribution, but still not quite a complete contribution, to that end. The most valuable sections are, perhaps, the excellent middle reaches of Mr J. D. M. Bell's chapter on trade unions, and the greater part of Mr Flanders's own chapter on collective bargaining. These two chapters will also help the general reader to make intelligent observations about the strange things he sometimes reads in newspapers. In some of the other chapters there is rather more about past history and rather less about present practice than one would like in a comprehensive text-book with this title; the history of industrial relations in Britain has been written many times before, principally, of course, because that history is a much easier subject than is current analysis.

The Law and the State

CURRENT LEGAL PROBLEMS, 1954.
Edited by G. W. Keeton and G. Schwarzenberger.
Stevens. 243 pages. 32s. 6d.

THIS annual series, of which this is the seventh volume, has now established itself. There is no need to thank and congratulate again University College, London, the editors and the individual contributors, although it would be ungrateful not to record the pleasure that these essays give. They are essays; the volume is not a textbook. It is diversified, stimulating, entertaining and instructive—instructive in two ways. Each contribution widens the mind; the choice of subjects and the balance between them give some glimpse of what the editors feel are the general problems of the day which the lawyer may help to solve. The main items in the current list are these: colonial administration and development (essays on the constitution in British Guiana and on law and order in Kenya); insanity in relation to crime, particularly murder; trade union activities (the tort of interference with contract); divorce (conflict of laws); international organisations (the international civil service and the international court of justice); and the legal profession in this country (which has two essays: the role of the solicitor in modern society and the cost of litigation). To many, this last item in the list will be the most interesting. It is one of a number of signs that the legal profession is, at last, beginning to doubt if its fundamental organisation is wholly perfect. The ferment has begun.

It has been obvious for some time that what might be called the upper crust of both branches of the profession, solicitors and barristers, is enmeshed in practices and traditions that have less and less relation to present-day conditions and needs. It is not that the councils of either the Law Society or the Bar are technically unrepresentative; they are popularly elected. It is that they do not represent a real cross-section of their respective branches, for the minds of the men who reach these councils were really formed twenty or more years ago. They represent the profession as it was, a private luxury paid for entirely by individuals and companies who could afford it, and, equally important, free to make their decisions over what they paid for it. That basis has not wholly gone—if it had, the legal profession would already have been shaken up as the medical profession has been. But it is changing. The principal paymaster of the profession today is the state, directly and indirectly. It pays, directly, the poor man's costs. It provokes the rich man into hiring professional aid as a guide through the jungle on the collecting side of the welfare state.

The legal profession will not begin seriously to think of changing itself until the paymaster compels it to do so, but that the paymaster, again indirectly, is beginning to do. It will take a very long time, for *amour propre* is at stake. The authors of the two essays in this volume, although protected by academic walls, breathe their criticisms and suggestions for reform in the most delicate of whispers. But it is important that the discussion should continue. While the impetus must come from outside, without revolution the legal profession, like Parliament, can only be satisfactorily changed from within itself.

Local Democracy in India

THE FOUNDATIONS OF LOCAL SELF-GOVERNMENT IN INDIA, PAKISTAN, AND BURMA.
By Hugh Tinker.
Athlone Press. 401 pages. 35s.

HAD Mr Tinker's study of municipal self-government in the Indian subcontinent been published before August 15, 1947, the average British and Indian reader would first have flipped through these pages to ascertain whether he was pro-British or pro-Indian, whether he recognised the "great work that Britain was doing in India," or whether his sympathies were with the "under-dog," and he would have read on or laid the book aside according to his prejudices. The political struggle inhibited the complaisant writer and often led to the social ostracism of the seeker after the truth in



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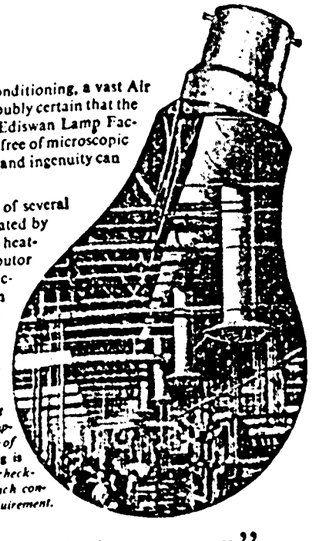
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either camp. The arrival of independence has happily changed the atmosphere. Today British and Indian readers alike can take Mr Tinker's critical assessment unemotionally in their stride and benefit by the lessons to be learnt from him.

In launching municipal government in 1882, that far-sighted viceroy, Lord Ripon, hoped to provide the cities and districts with sound administrations on a popular basis, and to create nurseries to train men and women for public life in large numbers as a long-term preparation for national self-government. These hopes were imperfectly realised. Some municipalities did good work, but the average has been deplorably low. A handful of public figures, including, notably, the late Sirdar Patel and Mrs Sarojini Naidu, started their public careers in municipal work, but one of the biggest problems facing India, Pakistan and Burma today is the paucity of those experienced in public affairs. Mr Tinker shows that Britons and Indians alike must share the blame. For if the bureaucracy sidetracked Lord Ripon's reforms for more than thirty years, when they eventually did become effective, the Congress party's non-co-operation campaigns created the demoralisation and indiscipline which are partly responsible for the low average standard of municipal administration today.

Mr Tinker writes lucidly and turns a potentially dull subject into a fascinating study. It should be of interest to the non-specialist, as well as to the specialist, reader, because the problems that he discusses are of vital topical importance not merely in the Indian sub-continent but throughout the democratic world.

Confusion from Knowledge

DILEMMAS. *The Tarner Lectures, 1953.*
By Gilbert Ryle.
Cambridge University Press. 129 pages. 10s. 6d.

THESE eight witty, vivid and stylish lectures smell very little of the lamp. But they are as illuminating as they are diverting and they are concerned with something very important. Human thought, when sufficiently advanced to reflect on its own diverse achievements, is inveterately troubled by a sense of conflict between these very achievements. When we cease to think *as* mathematicians, scientists, economists, psychologists or plain men and start to think *about* the ideas and discoveries belonging to these different domains, we find that the best established truths of one discipline seem to contradict those of another or to disqualify the plainest deliverances of common sense. At the cross-roads of thought very often a formidable dilemma shows its horns.

The most familiar logical *impasse* of this kind is the apparent conflict between science and common sense. What the neuro-physiologist tells us about our eyes and ears apparently contradicts what men have come to believe by relying on these organs; his theory even seems to show that we can never by the use of eyes or ears acquire information about anything save our own sensations; worse still, the scientist himself has established this theory only by the use inside the laboratory of the same sense organs which it seems to condemn as sources of information about the world. So the kind of contradiction we have here is not like some dispute within a single discipline: no further information would settle it. We are troubled not because we are ignorant, but because we are confused; and we are confused because we do not understand how to contrast and compare different types of thinking though we may have perfect mastery of each separate field of thought.

Professor Ryle devotes two only of his lectures to the relation between the world of science and the everyday world (the use of the word "world" here is, as he says, a symptom of the confusion which has generated our puzzles) and to the connected but more complex problem of perception. He introduces us to his diagnosis of our troubles by a study of a logical argument for Fatalism and a most original examination of the "proof" that Achilles cannot catch the Tortoise. Confusions come because in reflecting upon the different concepts of different disciplines we overlook the diversity between them and mis-assimilate to some single standard type widely different sets of ideas. If we divide a race course not by marking out a fixed number of equal sections, but by marking an initial section and continually dividing the remainder in a given ratio, we are tempted to confuse the logically inexhaustible character of the series so generated with a mysteriously inexhaustible physical property of the track which Achilles has to traverse.

Similar temptations beset us in less specialised fields. So familiar a notion as pleasure, misconceived by theorists as a sensation or a process, has made possible the paradoxes of hedonism and laid the basis of a generally misleading psychology of action. Economists, conscious of their own recent move from talk of "satisfactions" to "preferences," will find Professor Ryle's discussion of pleasure specially relevant, and they will find specially illuminating the ingenious analogy between market dealings and linguistic dealings between men which he uses to show how far the formal logicians can help us out of our dilemmas. Their help may indeed be exaggerated; there is no single avenue of escape to be found by the application of the logician's formulae. Nothing can really help but a detailed exploration of the subtly varying types of concept employed in different types of thought and it is perhaps the principal achievement of contemporary British philosophy, so well represented here, to have sketched the possibilities and nature of this exploration.

Shorter Notices

COMPOUND INTEREST AND ANNUITIES CERTAIN.
By D. W. A. Donald.
Cambridge University Press. 300 pages. 20s.

Given the necessary mathematical training, the general reader who is interested in the subject will find much to profit him in this addition to the series of new text books that is being sponsored by the Institute and the Faculty of Actuaries for their examination students.

A strictly practical approach is adopted throughout the book; there are few other mathematical exercises in which the mere memorising of formulae is of less use than in the solution of problems involving compound interest, among which those relating to stock exchange transactions have an important place. The conception of the continuous accumulation of money at compound interest is given full weight. A neat analogy of this process with the growth of a tree drives home the point that the usual assumption that interest is compounded yearly or at some other arbitrary interval of time has no theoretical justification, however well it may fit practical facts.

*

LIFE AND OTHER CONTINGENCIES Volume I.
By P. F. Hooker and L. H. Longley-Cook.
Cambridge University Press. 320 pages. 22s. 6d.

The subject matter of this book, which is also written specifically for examination students of the Institute and the Faculty of Actuaries, is so technical that it is fully comprehensible only to the initiated.

Contrary to the more usual method of presentation in mathematical text books, there is a progressive approach to the demonstration in the (as yet unpublished) second volume of the more advanced general formulae. This is in line with the practical bias of each of the new actuarial text books; formality of approach is sensibly sacrificed in order to ease the lot of the reader who has a mass of highly involved matter to assimilate in the study of what is, after all, a practical science—or is it an art?

Books Received

THE CITY OF BULAWAYO: *Official Guide.* *R. Beerman,* Cape Town.
258 pages. 6s.

THE CITY OF SALISBURY: *Official Guide.* *R. Beerman,* Cape Town.
318 pages. 8s. 6d.

LIVINGSTONE'S TRAVELS. Edited by the Rev. James I. Macnair.
Dent. 445 pages. 21s.

Livingstone's diaries have long been out of print. Here they have been condensed, in his own words, to provide a vivid account of his travels and of central Africa before it was opened up by the European. The editor's comments are helpful without being obtrusive, and there are useful geographical notes and appendices that include Stanley's own account of the famous meeting.

A THEORY OF ECONOMIC-DEMOGRAPHIC DEVELOPMENT.
By Harvey Leibenstein.
Princeton University Press (London: *Geoffrey Cumberlege*). 215 pages. 32s.

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.

Sharing the Atom

Washington, D.C.

PRESIDENT EISENHOWER'S speech on the sharing of knowledge about peaceful atomic power completes a major shift in American policy. This shift away from the universalist approach that characterised the almost apocalyptic Baruch Plan became apparent soon after the President's speech to the United Nations last December. Until then the United States had insisted it would continue to hug its secrets to its breast unless all powers, or at least all major powers, agreed to come into an international atomic scheme.

But although the proposals made last December for a world atomic pool required the accession of all "the governments principally involved," of which "the Soviet Union must, of course, be one," it was generally thought at the time that if the Russians failed to respond, the precedent of the Marshall Plan, which was also originally open to the Communists, would be followed. The United States would go ahead with whatever countries were willing to take part.

Its decision to do so falls well within the dictum of Mr George Kennan, in his latest book "Realities of American Foreign Policy," that world communism is one of those problems

> which can be dealt with effectively only if you learn to look away from it, not in the sense that you take no precautionary measures with regard to it, but in the sense that you do not permit it to preoccupy your thoughts and your vision, but rather insist on the right to proceed with your positive undertakings in spite of it.

The policy, in short, is an example of good psychological warfare, though it would have been even better if the President could have refrained from throwing in the routine adjective "cynical" to describe the Russians' "blocking" of his previous proposals "in the councils of the world," and if he could have made allowance for some link, however tenuous, between the new international agency and the United Nations. After all the Russians, no matter how cynical, have not got the votes to block a popular proposal in the General Assembly.

★

The agency will be set up by the United States and as many other members with fissionable material or scientific knowledge to offer as can be enlisted. So far Britain, France, and three Commonwealth countries—South Africa, Australia and Canada—have agreed to take part. Belgium and Portugal will probably be added and the offer remains open to Communist countries. Specific proposals also made by the President give an idea of the kind of international co-operation he has in mind. The United States will establish a reactor school to teach the skills of atomic industry to foreign technicians. Belgium, which has been complaining that, although it is through the Congo a major supplier of uranium, it has not been getting any atomic knowledge in return, will be helped to build a reactor of its own. The United States is to co-operate with Canada in setting up an atomic plant on Canadian soil. But the main task with which the State Department will press ahead with all speed and which will be taken up in its technical aspects by an international conference of scientists next year is to find ways of stripping the atom of its magic for those countries which have no knowledge at all. Technical help is to be offered to the underdeveloped areas where a good case can be made for the atom being the most economical source of power.

All these fresh initiatives are the first fruits of the new atomic energy legislation, which somewhat loosens the shackles of secrecy imposed on the President by the McMahon Act and which is itself part of the belated process of revising all American policies that have rested on the assumption of American monopoly of atomic power. But two special compulsions hastened the change from the original scheme for a world wide atomic pool, which could be held up by Russian dissent, to the limited and experimental but practicable version now advanced.

The first was the growing interest of areas with high power costs in the possibilities of the new source of fuel. It was first realised about a year ago, with something like alarm, that, if the United States was not prepared to offer technical atomic aid, other countries soon would and that one of the effects might be to cut off some of the American sources of supply of fissionable material.

The second factor was the feeling that it was high time that the United States disentangled itself from its difficult position over atomic disarmament. Although each side has been pressing schemes that the other cannot possibly accept it is felt that the Russians have had a distinct propaganda advantage because of the apparent simplicity of their case. This is that, whatever the merits of proposals such as Mr Eisenhower's for diminishing the national atomic stockpiles by transferring material to an international agency, first things must come first. The atomic bomb must be banned at the outset and all existing stocks destroyed.

The American predicament is all the more frustrating in that the Americans have an imaginative and far-reaching plan, which has been endorsed by a majority vote of the United Nations Assembly, as their official policy. But they cannot wholeheartedly use it in their propaganda because its central feature, the international ownership of all atomic material and the licensing of all atomic industry, is out of keeping with the present mood of the American people and Congress, at present, would never accept it. Although the Russians have never shown themselves capable of such a brilliantly disruptive move as the sudden acceptance of the Baruch Plan, the thought of what might happen if they did is enough to inhibit any very vigorous propaganda on its behalf.

On the other hand, if the United Nations Atomic Energy Commission is right in its view that no solution short of "the voluntary sharing by nations of their sovereignty in this field" is adequate because of the immense difficulties of control, it follows that no progress of any sort can be made in the direction of disarmament. The testimony published in connection with the Oppenheimer security case shows that Dr Oppenheimer reached this conclusion, because of the Russian attitude, as early as 1947 and, with the support of several members of the Cabinet, urged that the negotiations be brought to an end lest willingness to compromise with the Russians whittle away the essential principle of international ownership. This view was only overridden on the ground that public appearances must be kept up and that America's allies would be upset by any such brusque action.

Since in these particular circumstances, with both sides shouting unacceptable proposals at each other, the Russian slogans will come through the clearest, it naturally occurred to the Americans that it was time that they shifted the wavelength and shouted about something else. The proposals of last December for a pool of atomic knowledge were the result, and the need, if the initially favourable reaction was to be followed up, was for the Americans to take some actual steps in international co-operation, even if it meant the end of universalism in their policies and the switch to more modest and workable schemes.

This is true psychological warfare as opposed to the attempt of this Administration to conduct foreign policy by means of bluff and slogans which injures only the nerves of America's allies. The real test of a constructive policy on atomic energy will be whether its good faith is acknowledged in the "uncommitted world." This will only be fully apparent when the international agency is in existence and the time comes for the underdeveloped countries to decide whether to accept the apple of atomic knowledge.

Storm Signals from Maine

THE hurricane which swept up the New England coast a fortnight ago was not more unexpected or more devastating—to Republican hopes, at least—than the election returns from Maine, which goes to the polls two months before the rest of the country. The old slogan that "as Maine goes, so goes the nation," which the state's rock-ribbed Republicanism has made something of a joke, is being tenderly dusted off by the Democrats, for Maine has elected a Democratic governor for the first time since 1934, when Franklin Roosevelt was at the height of his political power.

Less real significance is being attached, however, to the defeat of an admittedly unpopular Republican governor, even though this meant upsetting Maine's tradition of always giving a Republican incumbent a second term, than to the reduced majorities of the victorious Republicans. The popular and efficient Mrs Margaret Chase Smith is being sent back to the Senate, but with a majority which is not likely to exceed 50,000, compared with 100,000 in 1948 and her share of the poll has fallen from 71 per cent to about 58 per cent. The three Republican Congressmen saw their votes fall as low as 52 per cent of the total from over 60 per cent in 1952.

It is a rule of thumb that if Republican candidates in Maine secure the votes of less than 60 per cent of the electorate, the Democrats are on their way to winning control of Congress. Mr Mitchell, the Democratic National Chairman, pointed out very justly that if Republicans elsewhere lose as much ground as they lost in Maine, the 40 House seats they won in 1952 by margins of 5 per cent or less will go. Mr Nixon, the Vice-President, who was unlucky enough to proclaim that the elections in Maine would be the first test of the Administration's popularity—a statement which a week ago looked like betting on a sure thing—has at least the doubtful consolation that the returns underline his warning to Republican candidates that this year they must "run scared."

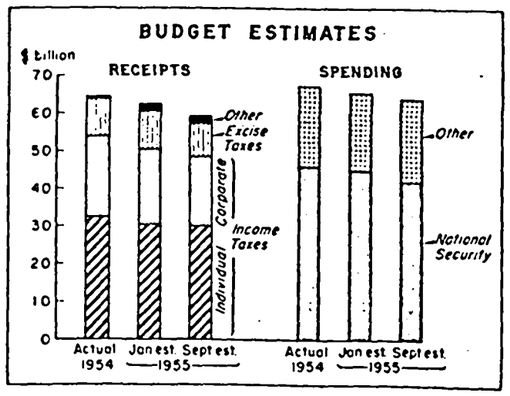
Deficit with a Silver Lining

REPUBLICAN satisfaction with the smallness of the government deficit in the year which ended in June has proved short-lived. The annual summer budget review suggests that the deficit in the year ending next June will be $4.7 billion, $1.7 billion more than it was last year, and $1.8 billion more than the President expected it to be last January. Spending continues to be reduced—the new estimates put it $1.6 billion lower than the January estimates did—but receipts are falling faster, owing chiefly to cuts in corporate, individual, and excise tax rates. The Budget Bureau now expects receipts to be $3.3 billion lower than it hoped for in January, partly because Congress insisted on cutting excise taxes more than the government wished, but also because of the failure of business activity to revive. Corporate tax receipts in 1954-55 are now put at $18.7 billion, down $1.5 billion from what was expected in January.

These estimates are based on the prudent assumption that business will continue at about the same level, although Mr Humphrey, the Secretary of the Treasury, denies that this means that the Administration does not look for any improvement. From the insistence of the budget review that the new lower levels of military spending will support "the most powerful and efficient fighting force the nation has ever had in time of peace" it is apparent that the Administration is also anxious to protect itself against the charge that it is economising at the expense of security. Total spending on national security is expected to fall from $46.2 billion last year to $41.9 billion, but direct defence expenditures will fall a trifle more, while those on stockpiling and atomic energy rise.

The new estimates make it hard for political orators to maintain, as the President claimed in July, that the Adminis-

tration has succeeded in coupling progress towards a balanced budget with large-scale tax relief. But although Mr Humphrey insists that the long-term goal of a conservative Administration is still to end deficit spending, Republicans will detect a silver lining to the failure to achieve it this year. The cash budget, which takes account



of government trust funds, and is a more accurate measure than the conventional budget of the impact of government operations on business, will show an increase in the cash deficit from $500 million to $2.1 billion—a dash of reflation after the austerities.

Foreign Aid Begins at Home

New York

THE Foreign Operations Administration, whose chief function is to administer the government's foreign aid programme, has never been allowed to be unmindful of the interests of American exporters. The American shipping industry has long been protected by the requirement that half of all government-financed cargoes be carried in high-cost American-flag ships. But, as long as the FOA based its procurement decisions on the lowest landed cost bids, this protection penalised American exporters who had to include in the bids higher shipping charges than those borne by their foreign competitors. To meet this complaint the FOA has ruled, not that the invidious 50:50 rule be abolished, but that the cost of it be shifted from the exporter to the taxpayer. American exporters will henceforth bid on the basis of foreign freight rates and, when they are forced to ship in higher-cost American vessels, the FOA will bear the additional charge.

The principle of competitive bidding for FOA procurement has in any case been virtually abandoned. The new Mutual Security Act stipulates that

> funds may not be used for procurement outside the United States unless the President determines that such procurement will not result in adverse effects upon the economy of the United States.

In two recent decisions the FOA has accepted bids from American firms which were far higher than those submitted by a number of overseas suppliers. The orders for locomotives and rolling stock for India, for example, have been split equally between the American and foreign bidders, even though a Japanese bid for the locomotives and a combination Japanese-British bid for the rolling stock were both more than 50 per cent lower than the nearest American bid.

Protection against imports is commonly justified by the need to maintain the defence potential of the United States, even at the expense of its allies. But the FOA, whose entire *raison d'être* is the strengthening of the economies of non-Communist countries, is carrying "Buy American" into the export field to the almost certain detriment of its main objectives. This is "Aid not Trade" *par excellence*. And when the chief beneficiary of its latest decision—the American steam locomotive building industry—has already lost its home market because of technological change the wisdom of propping up production by government-induced export contracts is highly questionable. For one thing, given a limit on the total funds appropriated for foreign aid, the acceptance of high cost bids must inevitably reduce the physical volume of aid made available. And it will be tragic indeed if economic developments abroad, and the widespread good will toward the United States which the generous foreign aid programme should evoke, are to be sacrificed for the benefit of small groups of high-cost producers.

McCarthy Kept in Order

THE Watkins committee, which is looking into the question of whether Senator McCarthy's behaviour deserves censure by the Senate, has completed its public hearings with such admirable dispatch that there seems no reason why its report should not be ready for the Senate to consider before the election. Those who feared that Mr McCarthy would succeed once more in disrupting the proceedings and prolonging them intolerably have been pleasantly surprised by the ability of Senator Watkins, unanimously supported by his colleagues, to keep the unruly member from Wisconsin in order.

One reason for the committee's speed is that no new evidence supporting the charges had to be taken; it was all available in the proceedings of earlier committees. And Senator McCarthy himself shortened the task by not disputing the charges, but admitting and even glorying in them. For the committee's benefit, he repeated his abuse of General Zwicker, though he tried to make it appear that he had said it was the uniform of a general, not simply United States uniform, which General Zwicker was unfit to wear. He also maintained his right—indeed, insisted that it was his duty—to use secret information obtained from government employees in his fight against communism and corruption, even though two Presidents have prohibited disclosure of information from the personnel security files without express authorisation. The Senator and his counsel tried to show that other Senators had upheld the same right, but Senator Watkins, in a ruling which Mr McCarthy protested deprived him of 95 per cent of his defence, would have none of their views.

Mr McCarthy, who to some observers seemed aware that he was at last fighting for his political life, has evidently

decided that the only reply to Senator Watkins's remorseless gavel is to throw doubt on the committee's impartiality. But he failed again in his request for an "independent" counsel, who had not taken part in the "prosecution," to help draw up the report. The Senator's other weapon—his suggestion that he could not accept invitations to speak for Republican candidates until the hearings are over—has been considerably blunted by the victory of a prominent anti-McCarthyite in the elections held this week to choose party candidates in his own state of Wisconsin.

Dewey Doesn't

FROM A CORRESPONDENT IN NEW YORK

NEW YORKERS whose memories of Mr Dewey go back to the early days of his once meteoric career listened with some nostalgia to his announcement that he would not run for a fourth term as governor of New York State. In those early days he was a young and rising District Attorney, making political capital out of the prosecution of a leading Democratic politician whom he convicted of corrupt practices. Where his predecessors had presented their case to the public through the press, he chose the radio, then relatively new to politicians, to tell his constituents in broadcast after broadcast just how good he was at killing giants. That performance won him the governor's chair in which he has sat for twelve years.

Mr Dewey's voice was firm when he told the radio and television audiences that he would not run for public office this autumn. Yet laymen as well as reporters noted that the stress was far stronger on the time element than on the refusal, and remembered how many times Mr Dewey has said that he would not run again, and then has changed his mind. He said he would not run this autumn, but what about next autumn? What about an appointment in Washington?

The political manœuvring which followed Mr Dewey's speech was rapid and smooth on both sides of the political fence. Within less time than it takes to thread a trout line and cast a fly President Eisenhower had expressed his grief at Governor Dewey's withdrawal from the race—a grief which the sceptical think may have been tempered by a certain coolness believed to exist between the two. Senator Ives, who has proved himself to be an excellent vote getter, immediately consented with appropriate modesty and becoming reluctance to accept the Republican nomination. A liberal-minded conservative, who sponsored New York's law forbidding racial discrimination in employment, Mr Ives is not involved in the racing scandals which, while they have not touched Mr Dewey personally, have cast some doubt on his ability to control his official family.

No better measure of the importance of the Republican manœuvre exists than the Democratic reaction to it. On the surface it had appeared that Representative Franklin Roosevelt would probably be the candidate chosen to run against Mr Dewey, and boasts were frequent that just as the senior Roosevelt had beaten him, so would the junior. However, the moment Mr Dewey withdrew the Democrats turned officially to Mr Averell Harriman, a candidate of greater substance and of international reputation. Roosevelt supporters, among them the Congress of Industrial Organisations, alleged that Tammany Hall, the New York City Democratic machine, made that choice because it would be easier for them to deal with Mr Harriman than with the headstrong Mr Roosevelt. Until September 21st, when the Democratic nominating convention brings the two groups face to face, there is still the chance of a costly split within Democratic ranks.

The effect of Mr Dewey's retirement in terms of the national problems which Republicans face is harder to assess. Mr Dewey used all his political skill to secure the Republican nomination for Mr Eisenhower and supported him in the early days of the presidential campaign; a number of Dewey men enlisted on the Eisenhower team and are now close to the President. Hints of coolness developing after the election became more marked as no notable honour was produced for the governor. The story is that he wanted to be Secretary of State. There have been repeated rumours that Mr Dulles would resign in his favour, first at the end of six months, then at the end of a year, but so far there has been no sign of such unexampled selflessness.

★

What Mr Dewey will do after November is still uncertain. There has been talk within his own circles that he felt the need of earning more money than the governorship paid, and that he could step into private practice at his own price whenever he chose to. But many people have noted that the Governor's curtain speech was not the utterance of a man who intends to get out of political life. Nor did his stated willingness to campaign for other Republican candidates in the autumn election sound like the promise of a man heartily sick of public appearances.

What seems more in character is a rumour that Mr Dewey and Mr Ives have made a political compact. The latter is not required by American law to resign his senatorial post in order to run for the governorship. When and if he wins, with Mr Dewey's earnest aid, he may then, as the newly elected governor, appoint the former governor to the seat in the Senate which would be rendered vacant by his election. This move, if carried through, will give Mr Dewey a national platform from which to resume his career as a rising young politician.

It should also repair his status with his party. In spite of his three terms as governor, his two attempts at the presidency, and his influence with other state governors Mr Dewey has made strangely little lasting impression on the national scene. He appears curiously isolated from both the Eisenhower and the Knowland wings of the party. At times it has seemed as though he thought that only he knew the liberal ways along which Mr Eisenhower should move, but somehow Mr Eisenhower kept forgetting to ask him for a map.

All this may be no more than evidence of the fact that the centre of political power in the United States has left New York for the Middle West. Yet at the same time, the Republican governor of a state which commands forty-three seats in the House of Representatives should be a powerful force in his party. In his own mind, and that of his friends, Mr Dewey is still a rising young man. That, perhaps, is also a difficulty. When a sudden chill interferes with the natural leavening of dough a hard crust forms on it. Whatever Mr Dewey's talents, and there is reason to think them considerable, his defeats at the hands of Mr. Roosevelt and

Mr Truman have chilled and stunted them. He is now, at a mere 52 years of age, perilously close to the position in which an older governor, Alfred E. Smith, found himself—still popular in New York, but with small chance of acceptance in the rest of the country. It remains to be seen whether he will be given a chance to redress that position from a seat in the Senate.

The Strange Case of Montgomery Ward

New York

A SHAREHOLDERS' fight, likely to rival in both colour and choler the recent successful struggle of Mr Young to win control of the New York Central Railroad, has started for the control of Montgomery Ward and Company, which is second only to Sears, Roebuck and Company, the largest mail order firm in the United States. The gauntlet has been thrown down by Mr Louis Wolfson, a Florida industrialist, and Mr Sewell Avery, the 80-year-old autocrat head of Montgomery Ward, will undoubtedly pick it up.

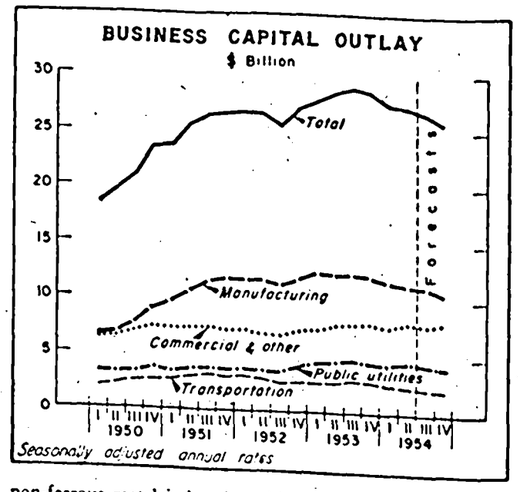
Mr Avery, whose leadership was responsible for the firm's prewar growth, has tenaciously maintained since 1945 that a severe depression is both inevitable and imminent and has followed a persistent policy of retrenchment. The prophesied day of reckoning has yet to arrive, and Mr Avery's sole consolation is liquidity. Montgomery Ward, once described as "the biggest bank with a shop front in the United States," had, on July 31, 1954, a working capital of $594 million, with operating funds equal to nearly nine times the company's obligations, and with no less than $287 million in cash and short term US Government securities. The cost of this enormous liquid reserve has been a steady decline in Montgomery Ward's market position. This policy has cost Mr Avery no less than four presidents and over 30 vice-presidents; at one point Mr Avery was in the unusual position of being the sole officer in the company.

Now Mr Wolfson, whose operations already extend from a theatre chain to shipbuilding, from a road transport system to a profitable construction business, has declared his intention of acquiring control of Montgomery Ward by buying up stock in the market and soliciting sufficient proxies to outvote Mr Avery. His appeal to shareholders is twofold. Its main promise is to reverse the postwar policy of restriction, put the idle funds to work, and regain Montgomery Ward's old position in the market. But undoubtedly some at least of those who bid up the firm's stock from a 1954 low of $56 a share to a high of $80 at the end of August had more immediate personal interests in mind. From one of his more famous acquisitions—the Capital Transit Company in Washington, DC—Mr Wolfson paid out in dividends, in the space of three years, almost as much a share as the original purchase price, while simultaneously trebling the market value of the stock. Montgomery Ward's $300 million cash surplus could provide its shareholders with even more spectacular pickings. On both counts Mr Wolfson can expect considerable support from other shareholders. But the system of electing only three of the nine company directors each year suggests that, if control of Montgomery Ward does pass out of Mr Avery's hands before he dies, it may well take two more annual meetings—until April, 1956, to effect the change.

Investment Forecast

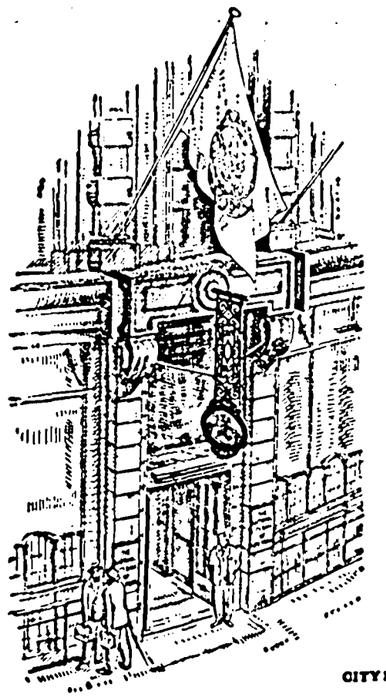
ATTEMPTS by the Security and Exchange Commission and the Commerce Department to read the minds of the nation's businessmen reveal that investment in new plant and equipment in the current year will amount to some $26.7 billion. While this represents a 6 per cent reduction from the peak reached in 1953, it nevertheless marks the second largest total on record.

Making comparisons with 1953, investment in the durable goods industries is down by 11 per cent. Mainly responsible are the contracted expenditures of the iron and steel and



non-ferrous metal industries which, having completed their expansion programmes, have cut the level of their investments by a third. On the other hand, manufacturers of motor vehicles and other transport equipment show great strength, with anticipated outlays 30 per cent above those of 1953. In the non-durable group, which shows an overall drop of 5 per cent, reductions in the textile, chemical and rubber companies are partly offset by the continued heavy investment of the petroleum industry. The largest drop of all is in the capital expenditure of the railways which, at 35 per cent, is attributed to reduced earnings and the completion of their modernisation plans.

These figures have rightly been interpreted as an encouraging sign of continued stability; the slackening in the rate of new investment, which has been evident since the third quarter of 1953, will continue to the end of the year, but there will be no sharp drop indicative of a loss in business confidence. It is an interesting fact that, while manufacturing companies as a whole intend to spend 8 per cent less this year, the large concerns, with assets of over $100 million, plan to maintain the record outlays of 1953, thus giving weight to the view that large industrial units are beginning to ignore minor fluctuations in activity in the interests of long term goals.



Trade follows this flag

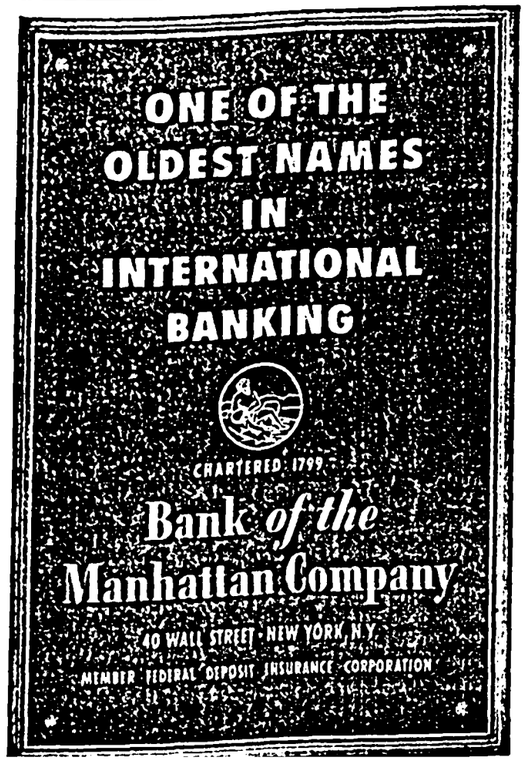
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16th Century German Engraving

I hold every man a debtor to his profession

FRANCIS BACON (1561-1626)

Every man is a debtor to the world: to his parents; his schoolmaster; his friends and employers. He owes them his existence; his knowledge; his happiness and his daily bread.

To his profession, he has another debt: that due to generations past whose integrity and skill have given his calling the reputation it enjoys. To them he owes his status as a worker and a thinker.

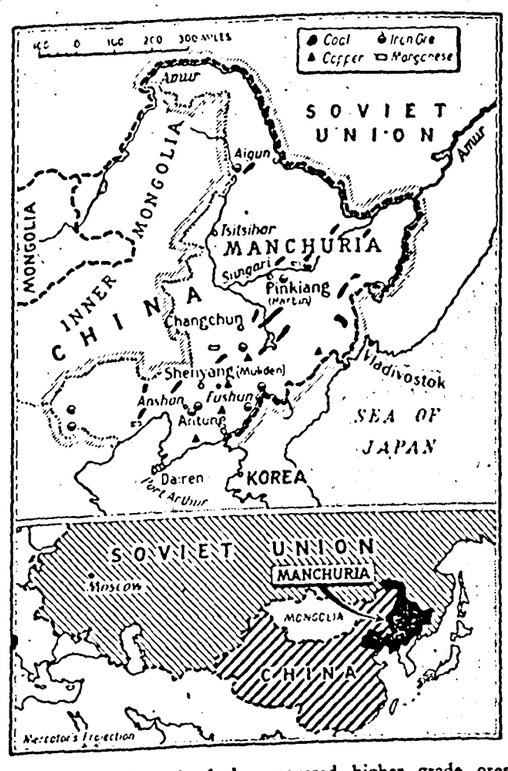
'Profession' carries a wider meaning now than it did once; and professional status, in common talk, is extended to many functions in industry and commerce. But it is not won lightly; a long record of public responsibility, and private service, must come first. How can such a debt be repaid? Only by handing on still higher standards—and a higher status—than those of yesterday, to the makers of industry to-morrow.

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The World Overseas

Manchuria—Key to China's Dream

THE much heralded Chinese Five-Year Plan is now drawing close to the end of its second year, but little has been revealed about its objectives. The recent announcement that by 1957 Chinese production should reach the Soviet level of 1932 is rather vague, and the numerous percentage figures to be found in official sources have little meaning as they are linked to unknown base years. One thing, however, is certain: the real drive is concentrated in the north-eastern part of the country. When the British Labour delegation visited Manchuria, it entered into China's industrial heartland and in Anshan it saw its most ambitious project.



Why is Manchuria the key to China's industrialisation? In the first place because of its early start. The Japanese had already done much to develop the fuel and mineral resources of the country, and Manchuria has been in Communist hands for a longer period than the rest of China. It has more skilled labour and better transport facilities. With its iron ore in the neighbourhood of coal deposits, with a wealth of non-ferrous metals, Manchuria was the obvious place for the planners to start their campaign. Most of China's resources are still untapped and, as in Russia, new industrial centres may spring up in the future. For the moment, however, Manchuria is China's Donbas, the fuel and power basis of its industrial revolution.

Manchuria's coal deposits are now estimated at between 12,000 and 20,000 million tons, less than one-tenth of known Chinese reserves. In output, however, Manchuria has always accounted for about half of the total. Under Japanese occupation Manchurian coal production exceeded 25 million tons per year; it recovered to 17 million tons in 1950 and now has probably reached its record level.

The Fushun deposits cover an area 11 miles long and 2.5 miles wide; the seams are near the surface and this is probably the largest opencast mine in the world. The coal is not of very good quality, but mixed with Penchihu coal it can be used for coking. Production is also being expanded in the Fushin mines which provide good fuel for bunkers. Penchihu is the best source of coking coal and together with Yentan provides fuel both for its own iron industry and for Anshan. In the Tunhua region good quality coal is found near rich iron deposits.

China's poverty in oil puts a premium on the distillation of oil from the shales around Fushun. The Japanese planned to get about 500,000 tons of crude oil and many by-products from this source. It is not known how much the Chinese have achieved, but according to official data, half of China's oil resources are in Manchuria.

Manchuria has over two-thirds of Chinese iron reserves. The latest Communist reports estimate Manchuria's deposits at nearly 6,000 million tons, while annual extraction has probably reached the wartime level of 5 million tons. Most of the ore is low-grade. However, both the Japanese and now the Chinese claim to have discovered higher grade ores and to have improved the refinement of the low-grade ones. The three main fields are situated in the neighbourhood of Anshan and Penchihu; they are near to one another and the coal basins. Anshan is the pride of the Chinese plan, and it is claimed that its annual output of pig iron already now amounts to 1,600,000 tons, with crude steel production at about half that level. Production is to

be doubled by 1957. While the main efforts are now concentrated on Anshan, the Chinese already speak of Tunhua as the great steel centre of to-morrow. This would be a logical development, since Tunhua is in the heart of the Tungpientao region where coking coal and high grade ore lie side by side.

Manchuria has many other mineral resources. Gold is panned in the north and mined in the south, though output was never very high. It amounted to about 200,000 ounces under the Japanese but subsequently fell to less than 70,000 ounces per year. The Chinese may now step up production to help in their drive for more trade. Rich deposits of copper, lead, zinc, magnesium and molybdenum are scattered over Manchuria. Manganese, on the other hand, is scarce. The Chinese also boast that there is much uranium in the region, though little has as yet been done to exploit it.

Altogether Manchuria has the elements necessary for rapid economic development. Its metallurgy could in the very near future feed a powerful heavy industry. The Japanese were chiefly concerned with developing this region as a source of minerals and metals for Japan's

MAIN MANCHURIAN COALFIELDS
(Million tons)

	Deposits	Record output*	Quality†
Hokang	5,000	2·7	coking
Fushin	4,000	6·0	non-coking
Tunhua	1,500	1·1	coking
Mishan	1,390	2·5	coking
Fushun	700	9·5	semi-coking
Penchihu	380	1·7	coking
Sian	270	2·0	non-coking
Peipao	203	2·0	coking

* Under Japanese occupation. † Bituminous.

industry, though they were forced by the vagaries of war to increase manufacture on the spot. The Chinese, obviously, see here their real chance to gain economic independence and to realise their old dream of industrialisation. Mukden, already a centre of production of rolling-stock, is scheduled to become the heart of the machine-building and other engineering industries. Dairen should add other branches to its shipbuilding speciality. Chemical as well as engineering industries are to grow in Harbin, Anshan, Fushun and Penchihu.

Economic figures are relative quantities. Even the most optimistic Chinese planners could not have put their country's targets for 1957 at more than 100 million tons of coal and 5 million tons of steel. This is little for such a huge country; in industrial power China would still lag behind, say, Poland in the Soviet bloc. At the same time, the Chinese assert that such output, together with a corresponding growth of heavy industry, should enable them to go ahead with less and less outside help. The Japanese for war purposes gave the initial impetus. The Chinese now look to the Soviet Union for further assistance.

The Russians at first were far from enthusiastic. When their troops entered Manchuria towards the end of the war they looted and dismantled plants. In the winter of 1949 Mao Tse-tung travelled to Moscow and after months of hard bargaining Stalin untied the purse strings in very niggardly fashion. Long negotiations were needed for any further economic aid. The Sino-Soviet railway in Manchuria was transferred to the Chinese only at the close of 1952, while the Russians keep Port Arthur until the signing of a treaty with Japan. Mao's hand, however, was strengthened by Stalin's death and in the summer of last year the Soviet Union promised to help build or restore "141 great projects," the bulk of which work is to be carried out in Manchuria. The actual level of Soviet investment is unknown, but the Chinese are clearly benefiting from Soviet know-how. There is a heavy two-way traffic, with Soviet experts travelling to China and Chinese technicians going to the Soviet Union for training.

The pace of China's industrialisation will clearly depend on Soviet aid, and the Russian leaders are faced with an awkward dilemma. Their investments could obviously mature more quickly elsewhere, while the industrialisation of the country will strengthen Mao's political hand still further. On the other hand, for the Soviet bloc this is in the long run the only way to restore the world balance of power. Besides, Moscow cannot afford to antagonise Peking. Thus there is vast scope here for really Oriental bargaining. Fifty years ago the fate of the Far East was being decided on the Manchurian battlefields, when decrepit Tsarist Russia was humbled by rising Japan. Now, that fate is once again being decided around Mukden, in coalfields and steel mills. This time the key is to be found in Sino-Soviet relations.

German Economy Set Fair

FROM OUR SPECIAL CORRESPONDENT

WEST GERMANY is once again strike-free, now that even the Bavarian bout has ended in a compromise. Both sides have learnt a lesson from the flurry. The Chairman of the Trade Union Federation, Herr Freitag, and the representative of the federation of Employers' Associations have resolved to set up an arbitration tribunal to settle future disputes before they cause stoppages. The State, it seems, is not wanted by either party and no government representative will be on the new body. It will not give binding decisions, but will certainly help to prevent future strikes.

In the meantime, wages are rising peacefully as more agreements fall due for revision. The process is all to the good for the German economy and political stability. Productivity has risen more than wages and is still increasing. Objective German economists agree with the trade unionists that deflation at this time is unnecessary and undesirable. They recommend increases of four or five per cent, or about the proportion by which new wage agreements are actually swelling pay packets.

Oddly enough, this move to avert any deflation comes while Germany is flooded with money, owing to the fact that the huge and increasing surplus in foreign exchange automatically puts an equivalent amount of Deutschmarks into the internal supply. The explanation of the paradox is, broadly speaking, that taxation absorbs the surplus and transfers it into the hands of the governments, both federal and local, and various public institutions. It does not reach the public. The Federal Finance Minister, Dr Schäffer, is indeed accused of drowning in funds, and of being too miserly in drafting his tax cuts—which have still not come into effect.

Dr Schäffer has also been helped by the great increase in employment, and by the long reprieve from a German army. The gross national product is rising more than he estimated, and he has about DM 1.5 billion more to spend than he thought when he budgeted DM 9 billion for "defence" on the assumption that the EDC would be in effect this year. He would like, on top of this bonus, to lay his hands on the surplus of unspent occupation costs which the Allies are grimly retaining for future use. All in all, Dr Schäffer is sitting pretty. He has not had to use a pfennig of the government loan issued in 1952, and this financial year he can cover all the investment expenditure "below the line" out of revenue, instead of raising another loan, as originally intended. This leaves the capital market freer for industry, which is already finding it easier to obtain loan capital for itself. Well-known firms are now able to place bond issues which offer a lower yield to the investor than at any time since the war, and the prospect of loans costing firms only 6 per cent, instead of 8 per cent, is in sight for next year. This relief still leaves the Germans paying more for their loans than the British firms, but will naturally help to make Germany still more competitive in export markets.

Increased wages and tax cuts will at the same time ensure that the internal market keeps up with expansion. If the Germans continue to be as confident about peace as at present, they will not rush to empty their pockets of goods, and so outstrip production. They will go on saving, particularly in order to secure a home. For this reason there is no need to fear inflation—but equally, Germany may not increase its imports enough to level out its balance of payments. West Germany will, it seems, increasingly be an investor overseas.

Malan Seeks for Reinforcements

FROM OUR CORRESPONDENT IN SOUTH AFRICA

THE Nationalist Party in South Africa, so long an opponent of large-scale immigration, has recently begun to change its tune. Last June the senior mouth-piece of the party *Die Burger* came out with the surprising plea for more "good white citizens" to fill the depleted ranks of skilled technicians and artisans. The theme has been echoed in other sections of the government press. Naturally, these papers claimed, the fault was not of the government's making; it was the sole responsibility of the hostile critics who painted so awful a picture of South Africa to the outside world.

This revolutionary change of emphasis gathered more strength when Dr Geyer, former South African High Commissioner in London, returned to the Union after a 7,000 mile trip through East and Central Africa, a convinced supporter of the need for greater European immigration. Here, from one of Dr Malan's closest advisers, was the green light to the rest of the Nationalist propaganda team to prepare the public for a change of direction. But despite the dawning recognition of the imperative need for white immigration, the Nationalist Party has not departed one inch from its aim of excluding from the country any but possible sympathisers and supporters of the Party. *Die Volksblad*, the Nationalist organ in the Free State, had an article comparing the success of the government's policy of selected immigrants with the dire consequences that would have followed if "the United Party had remained in power and Field Marshal Smuts's threat to import bad and good from Britain had been carried out." However, the paper concluded, it was necessary to find out whether the selection policy was "too restrictive."

Between 1945 and 1948 South Africa gained 78,055 immigrants. A peak was reached in 1948, when 35,631 entered the country; but so successfully did Dr Donges turn off the tap that in 1949 the number dropped to 14,780. The highest inflow since then is 18,473 in 1952, with a total of 77,556 for the period 1949 to 1953. In some months during this period the Union actually lost population through a higher emigration than immigration rate. Since the war the Union has attracted approximately 160,000 new settlers—one of the lowest intakes in the Commonwealth.

Skills for the Volk

For some time after the Nationalists came to power in 1948, they defended their anti-immigration policy by arguing that the "absorptive capacity" of the Union was not great enough to cope with more than a limited number of immigrants. But it soon became clear that the country's mining and industrial expansion, combined with a rigid application of the colour bar, had produced a desperate need for skilled labour. Today the country has reached the position where a grievous shortage of skilled workers in nearly every sphere of the Union's economic life is threatening to hamstring development. In the largest State undertaking, for instance, the railways, the shortage of artisans is so serious that essential work is held up and the whole transport system is suffering. This pattern is repeated in other sections of the economy, especially the engineering and building industries, while in commerce, generally, there is a definite need for men and women of enterprise and ability. In addition there is a grave shortage of school teachers in all provinces.

But as recently as May this year, Dr Donges defended his government's attitude by saying that its immigration policy had regard to the "long-term interests of South Africa," which, in political terms, has been taken to mean the political interests of the Nationalist Party. The government, he added, would only encourage immigrants who could be "properly absorbed" in the Union's economy. The powerful Dutch Reformed Church, again, is vigorously opposed to bringing Catholics or "disbelievers" into the country.

The Provincial Council elections have now persuaded some Nationalist leaders that they are no longer in any immediate danger of being politically swamped by newcomers or foreigners; and anyway there is Dr Donges's Citizenship Act to ensure that no immigrant will vote before he has been in the country six years. And on top of this is the undisputed fact that the numerical preponderance of the Afrikaans-speaking section, from which the Nationalists draw their support, is growing steadily greater, so that a few foreigners can hardly upset the Nationalists' political applecart at this stage. All this has combined to produce less timidity in some Nationalist circles about immigration.

But it is quite obvious that the immigration net is being spread to let in as many "acceptable" Hollanders and

Germans and as few Britishers as can decently be allowed. This has not been more explicitly stated than by a leading Nationalist journalist and author, Dr G. D. Scholtz, who is one of Dr Verwoerd's proteges. In a remarkably outspoken book, "Has the Afrikaner Volk a Future?" he says that immigration is essential if the Afrikaner is to maintain himself. But, he adds emphatically, the immigrants must come from Holland and Germany and must be Protestants. Moreover, he deals at length with the need for turning immigrants into Afrikaners (in this context, Nationalists) through church, school and cultural organisations—which is precisely what Nationalist practice and policy has been doing for and to as many South African children as possible.

Whether it is due to the government's lack of enthusiasm for British immigrants or whether Britons are no longer interested in coming to South Africa, the fact remains that there has been a dramatic change in the proportion of British and non-British immigrants since Dr Donges took charge of this department. Of the immigrants who entered the Union from 1945 to the end of 1953, 111,600 were British (77,600 had come by the end of 1948), 17,800 were Dutch and 15,700 were German. Between 1948 and 1953 the proportions changed considerably, the totals being 34,000 British, 14,500 Dutch and 15,000 German. In 1953 the number of British immigrants was 5,000, compared with 30,000 in 1948. In the latter year the number of German immigrants totalled 270; by last year it was 2,800.

Cynics may be excused for saying that the Malan government, having missed the immigration bus, is now advocating a pale imitation of its opponents' immigration policy in the almost certain knowledge that the trickle from Europe will never grow strong enough to make a real impact on South Africa. It is in need of skilled manpower, but at the same time it is too jealous and selfish to allow its indigenous millions of non-whites to acquire the skills.

Agenda for Sixty Nations

THE mixture of items on the agenda of the ninth United Nations Assembly, which opens next Tuesday, is much as usual. The chronic cases—Korea, disarmament, the deadlock over new members, South West Africa, Indians and *apartheid* in South Africa, Morocco and Tunisia, forced labour, funds for economic development—far outnumber the new admissions to the list. Their annual inspection is unlikely to have much effect on their condition, though the Russians may well consider this a particularly suitable moment in European affairs to offer a variant of their old cure-all for the disarmament problem.

Of those cases which are, so to speak, still on their feet, the Korean and Arab refugees are doing as well as can be expected, but the High Commissioner's European charges need more help, the bill for which he puts at about $12 million. After five years' treatment the Human Rights Conventions have been roughly completed, but their persisting weaknesses are likely to become uncomfortably evident in debate.

It is unlikely that any cases will be completely discharged at this session; and indeed the Dutch and Danish declared intention to stop sending information to Uno about the Netherlands Antilles, Surinam, and Greenland, on the ground that these territories are now self-governing, will probably provoke opposition. In the administrative field, however, the Assembly may end up with one problem the less. The United States will probably agree to abide by the recommendation of the International Court that compensation should be paid to the eleven American nationals who were dismissed for refusing to answer congressional inquiries about their alleged Communist affiliations; but it may ask that the decisions of the administrative tribunal which made the award should be subject to review by the Assembly in future.

The important new admissions to the agenda are few but fractious. The Greek request for Cypriot self-determination and the Indonesian claim to West Irian (alias Dutch New Guinea) are likely to generate some initial heat and to end with the usual, and usually unheeded, request for private negotiations. Britain will perhaps run into less trouble over its suggestion that the trusteeship agreement for its part of Togoland should be terminated; and the Assembly will at last have to take some concrete responsibility for deciding what that territory's future is to be when the adjoining Gold Coast attains self-government.

These, of course, are the problem items which will be in the limelight while the Assembly is sitting. It is worth while remembering also some other, normally unnoticed, items on the agenda, such as the reports of the technical assistance programme, the specialised agencies, and the UN Children's Fund. Generally speaking, these are going along nicely; but, unfortunately for them and for the United Nations as a whole, good news nowadays is too often no news at all.

Cedars Murmur in Lebanon

FROM A CORRESPONDENT

THE resignation of the Lebanese prime minister and his cabinet on September 8th, though not unexpected, calls attention to the intricacies of Lebanese politics and the part that these can play in determining the republic's contribution to Arab affairs. The country is the smallest of the members of the Arab League; its population, its finances, its armed forces are all unimpressive, but it has its own importance and is worth watching.

It can indeed offer a number of claims to attention. Its ports, of which Beirut is by far the best on the Levant coast, give access to a wide Arab *hinterland*, including Syria and Iraq. Sidon and Tripoli are pipeline terminals for Saudi and Iraqi oil, and the Lebanon is a great entrepôt for people and ideas as well as for goods. No window of the East has played, or is playing, a greater part in the admission of western thought and methods into nearer Asia. It has resulted from this, and from the lively minds and hearts of its inhabitants, that the Lebanon has bred a progressive type of Arab.

His cosmopolitanism is not inconsistent with fervid local patriotism, nor do Arab weaknesses of instability and hastil-



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ness invalidate the exceptional abilities of his leaders. Among these are a score who could hold their own in any circle of administration or business, and half a dozen, with the cultured, competent and highminded President Chamoun at their head, who could take their place as statesmen in any international milieu. The Lebanese colonies in South America (whom the president recently visited), world-wide trading interests, the established position of the Lebanon as a tourist and holiday centre, and its educational establishments, notably the American University, give the country a vitality disproportionate to its size.

Its political life has not yet risen to the level of these high potentialities. Those who deplore in the Arab States the absence of a stabilising middle class will notice with surprise that the Lebanon has proportionately the largest such class in the Arab world. But it seems to gain from it in its politics little more than more frustrated white collars, more student demonstrations, more professional pressure groups, more strikes, more press extravagance, and more restless parties. These include the National Bloc, Socialist and National Front, Syrian Popular Party, Progressive Socialists, Call of the Nation Party and semi-organised independents; and for the young and lusty, a choice of (Catholic) Lebanese Phalanges, (Muslim) Najjada, Patriotic Youth Movement, or the (Communist) Partisans of Peace. The endless re-groupings and polemics of these are the more complex because they draw their support from the various strata of rich urban families, Druze potentates, middle-class townsmen, industrial workers and mountain cultivators. They also derive from the sharply divided "confessional" groups of Sunni and Shia Muslim, Druzes, Maronite Uniates, Armenian Orthodox, Armenian Catholic, Greek Orthodox, Greek Catholic, Protestants and lesser communities.

Divided They Stand

That so divided an electorate—broadly half-Muslim, half-Christian—should hold divergent views on foreign affairs, including its own place in the Arab world, is not surprising. A local minority of Christians would cut their connection (other than commercial and, in part, cultural) with the Arab world, and retire into a small pre-1914 Mount Lebanon. A minority of Muslims would amalgamate with Syria. The usual clashes on the desirability of accepting western help, on the structure of the League, and on defence considerations are resounding, as in neighbouring countries; but the country's substantial support of the League and of Arab causes everywhere will certainly continue. This has been confirmed by the recent visit of Salih Salim to Beirut, by those of the Lebanese premier to Cairo, Jordan and Iraq, and by the journeys and consultations of the president himself, for whom the Lebanon has a central part to play in Arab statecraft.

But governments of the Lebanon would contribute more solidly to the support of such views if they were themselves more stable. The "rose-water revolution" of August, 1952, swept away some abuses, but the old divisions, methods, and egoisms remain. The revolution was followed not by a strong reforming government, but first by a stop-gap ministry under the little-known Kamil Shihab, then by another under Saib Salam. The general elections of July, 1953 (with votes for women for the first time) brought many of the old gang politicians back to the Chamber, but few of the progressives. Abdullah Al-Yafi formed a mainly non-party government whose history has been that of most Lebanese ministries. There has been progress, but all too slow for the opposition, in the development projects. There has been an outcry, notably from Kamal Jumblatt's Progressive Socialists, for thorough-going social reform, met by conservative opposition to it. There have been fierce polemics on the continuance of the "confessional" form of parliamentary representation. There have been arrests of Israeli spies, riots of university students, a bomb or two, a lawyers' strike, and fierce personal recriminations.

In February, 1954, Al-Yafi resigned under pressure, but a week later could re-form his government and secure a vote of confidence, followed by another in June. Since early July, however, the position of his administration has been obviously weak. Accusations of failure to keep order, of lack of progress and of various malpractices have led first to rumours of cabinet changes, and finally, last week, to the resignation of the prime minister.

His reinstallation in office with a changed cabinet is not unlikely: the president is said to favour it. Otherwise, any of a dozen independents could succeed him, with no clear mandate and almost no hope of a smoother passage. The visit of Messrs Aneurin Bevan and Morgan Phillips and Dr Summerskill as guests of Jumblatt, the young Oxonian Progressive-Socialist leader and strong anti-Westerner, may give his party the encouragement which the electorate have hitherto withheld.

Living with a Giant

FROM OUR CORRESPONDENT IN CANADA

THE "un-Americanness" of Canada is like a sea serpent. It is submerged most of the time, and when it appears it shows in a series of waves. To picture it is to recall representations of the Loch Ness monster, though Canada's "un-Americanness" is always real. It is just as real in times when to British eyes Canada seems most American as it is in times like the present when Canadian divergences from the United States are obvious. The monster lives in the lake all the time and the most surprising thing is that it comes up for air so rarely.

There is almost every superficial reason why the Canadian public should follow United States patterns of thought. One of Canada's best historiographers, Professor D. G. Creighton of Toronto, said to a public affairs forum last month:

"It is only natural that our picture of the world should be shot through American cameras. The Canadian Broadcasting Corporation and the Canadian Press (a co-operative news agency) provide us with some independent comment and some independently gathered information. A Canadian correspondent is sent off every once in a while by some large metropolitan newspaper to report on the fortunes of a war or the doings of an international conference. But these are plainly exceptions to the general rule—brief intervals of home cooking in a very steady diet of imports supplied by the great American press associations and by columnists and news commentators who are citizens of the United States."

Canadian Sales Resistance

Canadian foreign policy, however, remains independent and sometimes strikingly different from that of the United States. In spite of all the reading and listening and televiewing matter which Canadians absorb from the United States, the Canadian public—or at least that part of it which thinks about public affairs—apparently reaches its own conclusions. These conclusions coincide with Ottawa's much more often than they agree with the dominant (and often fluctuating) US view. The phenomenon is only partly explained by the facts of history and tradition, and it is an intriguing matter for speculation how long it will continue under the steady barrage of United States publicity.

Professor Creighton takes a provocative view, saying: "For the past eight years the nation which virtually invented modern advertising has been engaged in what can only be described as the greatest sales campaign in its history, the campaign to sell the Cold War, in an exclusive American package, to the rest of the western world. Canada, which was treated as an adjunct to the domestic market, received the full impact of this promotion. To put it in commercial terms, which are in reality the most appropriate, American-packaged Cold War was outselling every other brand of packaged Cold War ten to one *in the Canadian* market."

This was certainly a graphic way of arousing Canadians to awareness of a danger. But if Professor Creighton is right in his estimate, then the Canadian government has got dangerously out of line with its own public. There are plenty of signs that this is not so. The Loch Ness monster has been appearing lately to people who were neither credulous nor intoxicated. To those who have never been sufficiently aware of the submerged "un-Americanness" of Canada—and they are to be found in Canada as well as in the United States—the monster's appearances look like anti-Americanism. The distinction between being different and being "anti" very often depends on the observer's expectation.

The closest approach to anti-American feeling for quite a while, and the most widespread, has been caused by the St. Lawrence Seaway. This is a little ironic. After years of Canadian waiting for US participation, Mr Eisenhower's administration pushed through New York's partnership with Ontario in the power project and then persuaded the Congress to build part of the seaway too. But by this time the years of waiting had brought most Canadians to the point of wanting to build the seaway alone, and of knowing that they could, once US participation in the power project was assured. So instead of being grateful to President Eisenhower for making the power project—and therefore the seaway—possible, a great many Canadians are indignant at the last-minute conversion.

At first glance, this unwillingness to have the Americans in on the seaway chiefly demonstrates the new self-confidence—or if you are so minded, the new arrogance—of Canadians. But lying deeper and more interesting is the other half of the motivation—a profound distrust of the American processes of government. More and more Canada's "un-Americanness" seems to focus in the parliamentary system. More and more the things that Canadians dislike in United States policy are being traced back to the constitutional division of powers between President and Congress. The difficulties about the seaway lie basically in the fear that the Congress will want to take a hand in deciding how it shall be run, and in many Canadian eyes the Congress appears both basically irresponsible and congenitally incapable of understanding or respecting other people's interests.

Against Luce Thinking

A constant source of very similar irritation arises from tariff policy, where again it is the vote-seeking politicians in the Congress who get most of the blame. McCarthyism is as generally loathed in Canada as in Europe and, for that matter, in many parts of the United States: again it is the irresponsibility of Congress. The China Lobby has no counterpart and arouses no sympathy here. The brand of foreign policy peddled by the Henry Luce publications, in spite of the wide circulation of *Life* and the successful "Canadian edition" of *Time*, shocks most Canadians. It is difficult not to suppose that these publications make some impression especially on their less educated readers, but their influence is sufficiently small to be only a marginal consideration—if that—with policy-makers.

Responsible members of the government and their officials will sometimes show concern at the danger of anti-Americanism. They do not spend much time worrying about mass conversions to Henry Luce. It may thus be that the "un-Americanness" of Canada is its main safeguard against anti-Americanism. Certainly it seems that the people who are most prone to forget that Canada is not America are also the most apt to complain of supposed anti-Americanism.

This, perhaps, explains the moderating conditions which apply to all such harsh judgments of Washington as have been quoted here. Minor outbursts of indignation about tariffs or the seaway or the wilder pronouncements of Senators about the cold war are a natural and harmless safety valve. Even the long-term doubts about the validity of the US constitutional system do not alter Canadian awareness that this country need not fear the grosser encroachments which small countries often have to expect from their dominant neighbours. "If you have to share 3,000 miles of border with a neighbouring giant," a Canadian will say, "it would be hard to find a better giant to share it with." To live with a giant is the peculiar Canadian problem. No reasonable person expects that that will always be comfortable.

AUSTRALIA

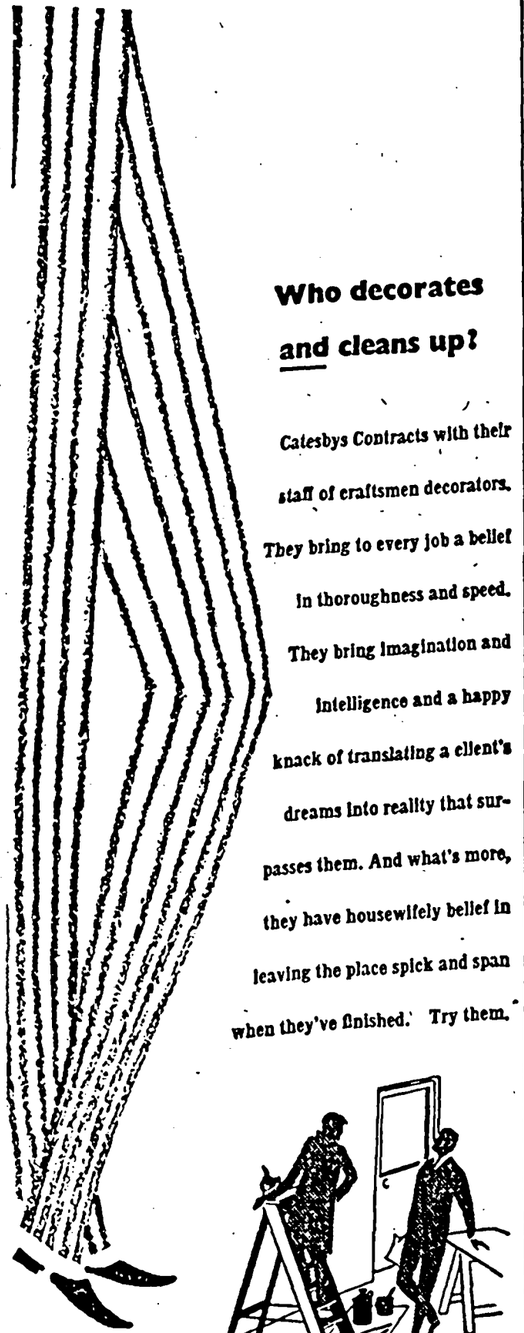
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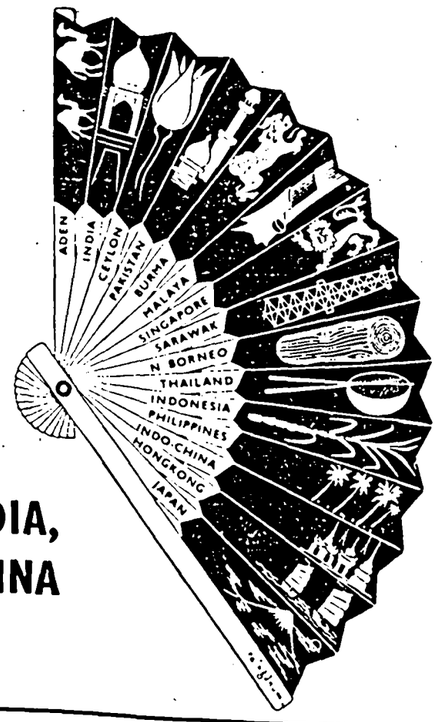
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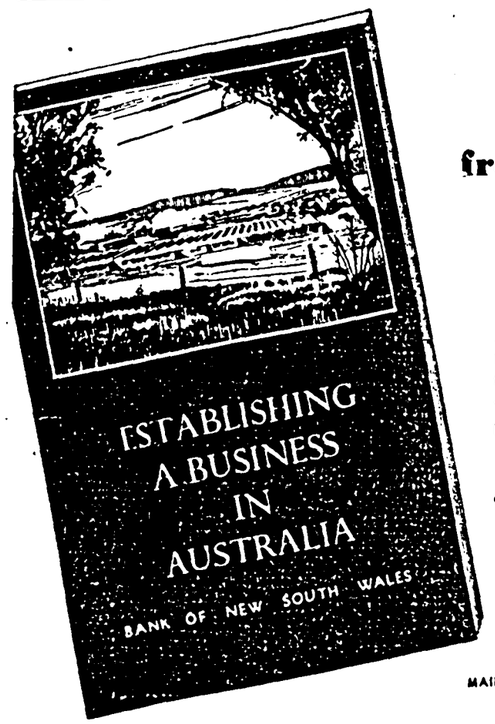
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THE BUSINESS WORLD

Narrow Path for Gilt-edged?

THE excitements that stirred the gilt-edged market in the spring and early summer have lately subsided into a more seasonable calm. Since the launching of the £100 million Electricity issue in mid-August, price movements have been small, and slightly downwards. The market has shown a notable resistance both to the profit-takers and to the spasmodic rumblings of international politics. But it has lost the special momentum that was imparted to it by—or, rather, that it drew from—the vigour and the success of the Government's refinancing operations of early June and early July. Then, it will be recalled, the launching of the "Eternity" 3½ per cents—the funding stock that extends into the next century—was being eagerly read by the bulls as proof that the authorities were cherishing high ambitions for their conversion programme. The market's experience and the official tactics in these past two months have confirmed the view that no undue forcing of the pace was to be expected.

The problem of debt refinancing is, however, ever present, and the authorities can be depended upon to seize every reasonable market opportunity offered by the favourable conjuncture in Britain's economic circumstances. Given the high degree of activity and the extremely low level of unemployment in the domestic economy, it would be most imprudent to frame conversion plans on the assumption that gilt-edged values can safely be forced up much further. And although a continuance of confidence might conceivably produce a further fall in interest rates, even in conditions of very low unemployment, such a fall cannot be depended upon. If, therefore, the authorities recognise that they must not force the pace, the present level of interest rates is in any case a pretty satisfactory one for the Treasury as borrower.

The market is observing that the popular season for debt operations is approaching. And though it has wisely stopped "talking" War Loan up to 95 and over, it is beginning to wonder again whether the Treasury's maturing plans may provide it with a new bull point in the coming weeks. It may be that the late launching of the Electricity issue means that the phase of consolidation is not yet ended; and the Gas Council presumably cannot delay its funding issue much longer. If that is so, the grooming of the market for the Treasury itself may still lie some while ahead.

The Treasury time-table, however, certainly offers more latitude than it has done in previous years. The problem of providing for the procession of spring maturities was greatly complicated in the autumn of 1952 and 1953 by the need to meet each year's maturing tranche of the Serial Funding stocks by which the new monetary policy was launched in November, 1951—not to mention the need to carry through a further funding of accumulated floating debt. In both these years this double need dictated a funding operation at end-September or early October. But last spring the strength of the market enabled the authorities to free themselves from this constricting time-table; and early in July they disposed of all but £122 million of the £535 million of Serial Funding Stock due on November 14th next. The June operation—the cash-and-conversion issue of 2 per cent Conversion Stock, 1958-59—similarly took care of the growth of floating debt in the hands of the banks. But it did not otherwise advance the time-table, for the stock disposed of by conversion, the 3 per cent Defence Loan, 1954-58, was one that need not have been tackled at all.

Hence the authorities have still to face the big spring maturity—the £735 million of 2½ per cent Exchequer Stock due in mid-February. A further refinancing operation this autumn is therefore a virtual certainty. And,

indeed, if the authorities do in fact accept the proposition that the economic weather is unusually favourable, the programme they are likely to have in mind will embrace at least two further substantial operations during the coming twelve months or so. They are obliged to deal with £523 million of 3 per cent Serial Funding stock before November, 1955, in any case, and they may be expected to try to tackle also the £824 million of 2½ per cent National War Bonds, 1954-56. The only other immediately callable stock is the £101 million of 2½ per cent Funding Stock, 1952-57. If that were included for good measure, it would mean that, after reckoning in the £122 million of unconverted 1954 Serial stock, no less than £2,300 million of stock would figure on the programme for conversion before the end of next year.

★

The size of this programme should surely give pause to those who still chatter about an early assault upon War Loan. It is necessary if the authorities are really to capitalise the present opportunities and prepare themselves for the problems that lie beyond, but it is not an argument for bullishness about gilt-edged. Since the programme includes some big optional stocks, it would not be attempted on the full scale unless the market kept reasonably firm. On the other hand, to achieve the whole objective with safety would require care and skill ; forcing tactics would mean inflation.

It ought to mean also that the authorities in choosing their replacement stocks will pay full regard to the lessons of recent years. These have driven home again and again the virtues, in the interests of a smoothly functioning market, of a single date—or, at least, of a narrow period of optional redemption. The authorities have indeed been working on this principle recently: the single-dated stocks now total £2,300 million, whereas at end-1945 there was only one issue, of under £800 million. The volume of stocks with one- or two-year spreads has, however, declined slightly, to under £2,700 million. But if the policy has been virtuous by contrast with the early postwar years, when the supply of stocks with five- or ten-year spreads was greatly increased (it is now £2,850 million larger than at end-1945, at over £6,700 million), it has perforce been concerned mainly with issues of short or medium life ; and for those a narrow spread is virtually unavoidable.

But it is all too easy, when launching an "Eternity" issue, to discount the problems that a wide spread piles up for the future, and to take advantage of the fact that the market may then take a similarly careless view. A five-year spread may not impair the marketability of a stock while it has thirty, forty or more years to run ; the objection is immediately apparent only when the life is short. In framing their medium and long issues, the authorities ought to ponder the fact that the weaknesses of stocks with wide spreads will soon become even more apparent to the market than they are now. The calling of the Defence Threes (1954-58) on their earliest date gave the first big jolt to market thinking on this subject, and since then the Savings Bonds 1955-65 have become the most glaring instance of the anomaly thus created. Very soon, however, such instances will be multiplied many times.

In about a year from now the problem of debt refinancing will begin to assume quite a new post-war pattern. The hypothetical immediate programme sketched above will dispose of most of the special institutional stocks placed during the war years—notably the War Bond series and its successors—that had "spreads" of two years or less. Next year the Treasury will enter the phase in which the Savings Bonds series, designed for the general investor as well as for the institutions, becomes optionally redeemable—and these stocks, with some others that also become redeemable in the ensuing few years, have a spread of ten years. Between now and 1965 £3,100 million of such "ten-year" debt will become callable ; and over this same period stocks that have a spread of three years or more will become finally or optionally redeemable to the extent of no less than £5,150 million. Of this last total, £3,200 million will arise between now and 1961.

The wider spreads for so large a volume of debt will give the authorities the widest freedom of manœuvre. If the hypothetical programme for the next twelve months is left out of the reckoning, the amount of single-dated or narrow-spread stocks (two years or less) that finally mature before 1961 will be less than £1,300 million. But this freedom for the authorities may not prove to be a net advantage even for them. Conditions that cause discomfiture in the market, and impair its flexibility, cannot profit the Treasury in the long run.

The increase in the proportion of "wide-spread" stocks in the slice of debt that is nearing maturity will cause serious frictions in a mechanism upon which the Treasury has greatly depended for the smooth refinancing of debt. This smoothing has been achieved by the fact that, as each stock nears maturity, it tends to gravitate to institutional holders of short stocks, notably to the discount market, and thus is conveniently concentrated within easy reach of the "departments." But the institutional dealers cannot safely perform a similar service in "wide-spread" stocks—for this would be to turn the investment business of Lombard Street and the banks into gambling.

Unfortunately, there is very little the authorities can do to alleviate these coming difficulties—except to ensure that their new issues afford a sufficient supply of single or narrow shortdated stocks to keep the mechanism in reasonable working order for its more limited task. But the trend now is rightly towards medium and long stocks. Hence, for the gilt-edged market in its wider sense, the Treasury's exercise of its greater freedom of choice is likely to mean recurrent jolts and jars ; and these will recoil in the end upon the terms the Treasury can itself command. The moral surely is that care should be taken to avoid piling up similar trouble for the future. The spreads for even the longest new stocks should be kept narrow.

Cinemas and Circuits

FIVE years ago, hardly any accurate statistics of the British cinema business existed at all. Since then, a gentle but persistent inquisition by the Board of Trade has furnished far more than most industries in the country ever publish ; but until last year, most of the information these contained was consistently depressing. During the last twelve months, exhibitors have become able to study the figures without the uncomfortable feeling of being painstakingly measured for a coffin ; the sharp decline in business that began before the statistics did seem at least to have been checked. But the comfort that the statistics have had to offer has by no means been equal for all cinema exhibitors. Not many of them, for example, could match the very comfortable statistic offered from his own experience this week by Mr J. Arthur Rank, the biggest British exhibitor of them all:

> . . . during our last financial year, during which the number of television sets increased substantially, there was an actual increase of more than 3 per cent in the number of attendances at the group's cinemas over the year.

Once again, the Rank organisation is reflecting to an exaggerated degree a general swing in the British film industry's fortunes. And for once, temporarily or not, that swing seems to be upward.

Total admissions to cinemas, to judge from the official statistics for the last quarter of 1953 and the first quarter of 1954, may broadly have ceased to decline, and the records of Entertainments Duty collected until the end of June hint at much the same story. This is good news indeed for a business where custom had been declining between 2 and 4 per cent annually over the previous four years. But this levelling out of admissions for the cinema business taken as a whole hides a striking disparity in the fortunes of cinemas of different sizes, roughly with those above the thousand-seat level selling more seats than a year before and those below it selling less ; and the partial recovery seems to have been locally concentrated too, in London and the home counties. It is, of course, among these larger cinemas, and in the south of England, that the major circuits bulk largest in cinema ownership. So the Rank report and accounts this week, and the improvement this year mentioned by Sir Philip Warter of Associated British, have only confirmed the trade's impression that it is the major circuits that have enjoyed almost all of the recovery, or respite, that cinemas achieved in 1953-54. Mr Rank's anxiety and Sir Philip's, therefore, is to know whether this improvement in business can be maintained ; for many other exhibitors, the question is whether they can achieve it too, or whether it will remain concentrated mainly among the circuits.

Nobody in Wardour Street knows how far the factors that have been improving at least the thick end of the business during recent months—apart from the weather—must be considered special ones. Mr Rank was justifiably encouraged by

> . . . the continued rebound in our theatre business in certain of the larger television-saturated areas, where the novelty of television has fallen off and the period of instalment payments for the television sets has been completed.

That rebound has been partly the consequence, also, of technical experiment by the cinema business itself. Though stereoscopic films seen lost their novelty, that novelty undoubtedly made some quick profits while it lasted. The wider screens are becoming much better established, though the majority of independent exhibitors would probably agree with Mr Rank that "speaking from our experience the public do not take kindly to stereophonic sound in its present form." Associated British and some of the other circuits, it should be said, have shown rather more enthusiasm for this expensive development and for the new "package" techniques such as Cinemascope ; but Mr Rank has specifically written off much of the cost of stereophonic equipment installed for Cinemascope showing out of current profits as "experimental." During the year there has been some shortage of Hollywood features, offset partly by the exceptional business done by certain spectacular wide-screen features and partly by the wider showing of British feature films—some of which have been extremely popular. Television ownership for the country as a whole has continued to expand, though at a somewhat slower rate than during, say, 1952-53. Earnings and personal expenditure by consumers have been increasing during a period of industrial recovery, and though freed supplies of other things for the public to buy have grown more abundant, the return towards prewar patterns of buying may broadly have spent its impetus.

Mr Rank, at any rate, emboldened by his own gruelling ordeal of looking at British television programmes, has "no doubt that the cinema industry will maintain its important position in the entertain-

GROSS OPERATING PROFITS OF RANK ORGANISATION
(£'000)

Years to June 30	1950	1951	1952	1953	1954
Production and distribution ...	*Dr 2,005*	*Dr 1,182*	*Dr 25*	455	948
Exhibition in Britain	3,487	4,155	3,848	3,569	4,182
Exhibition overseas	620	562	721	685	660
Manufacturing other activities	1,191	1,590	1,853	2,053	1,914
Total	3,293	5,125	6,397	6,762	7,704

ment world" and later "no reason to doubt that we shall continue to maintain our position in the industry"—the second expression of confidence, perhaps, sounding slightly more specific. His Odeon and Gaumont-British cinemas took just under £30 million at the box-office during the year ended June 26, 1954, about £1,200,000 more than the previous year; this may be compared with total box-office receipts of perhaps £110 million for the whole industry. After paying Entertainments Duty their net takings were about £18½ million, and the group shows a profit before tax of £3,196,232 on exhibition in Britain; though Mr Rank emphasised that 236 of his cinemas, more than half the number though probably not of the seating capacity, operated at a loss of approximately £588,000 before providing capital charges, if profits on sales in the cinemas are excluded.

The Rank group, keeping its own support of feature production steady at about 15 films from its own studios and six from Ealing Studios a year, now represents a rather small proportion of the growing output of British films; but almost certainly a more profitable proportion than the whole. "On our normal method of valuation," the report records, "the films released during the year show, in the aggregate, a profit"; which, of course, includes these films' share of the Eady levy, which generally returns a feature film about an extra two-thirds of the amount it earned in normal film hire. Within the actual accounts, the group's production is merged with distribution; together these activities brought in a profit before tax of £836,813, which compares with the figure of £352,760 achieved in 1952-53 following several years of losses. At the group's theatres during the year, indeed, 12 out of the 24 most profitable films played were British, and their aggregate receipts were almost exactly equal with those of the 12 American. Remittances from the group's films shown overseas have generally increased; though in the United States their films still find it virtually impossible to get showings in "the public end of town," and Mr John Davis spoke bitterly of "people who think Norman Wisdom is just another comedian."

This improvement in the group's film business, supported by fairly steady profits from manufacturing and other activities, has made possible a continuing attempt to clear up the balance sheet. Bank loans and overdrafts have been further reduced, in spite of the employment of nearly £1 million of extra bank finance to finance current film production; loan capital repaid by the normal annual instalments; and revenue reserves built up by about 40 per cent. Moreover, the group has recently obtained licences for the completion of some cinemas begun shortly before the war, and proposes to build theatres in some of the new development towns. The high gearing of the group's capital, and the substantial sums payable in debenture interest, preference dividends, and to outside shareholders, leave the ordinary shareholder in Odeon Theatres at the end of a long queue of claimants. The ordinary dividend of 15 per cent, less tax, in fact takes £78,127 out of the group's net profit of £2,264,655. Even so, speculators in the Odeon equity (yielding a fraction more than 3 per cent) surely ignored that a company is conditioned by its history as well as its future; and both weigh heavy on this balance sheet.

★

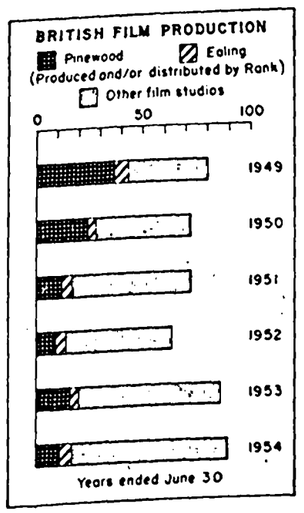
In a copybook ending to his annual statement, Mr Rank eschews prophecy, but feels the group should hold its place in the industry,

> . . . and, if conditions beyond our control permit, . . . earn reasonable profits although I cannot promise that the level of profits earned in the year under review can be maintained.

He has, elsewhere, brave remarks about his confidence that the public will continue to like entertainment "produced with the assistance of the greatest developments of this electronic age, shown under the best possible conditions, upon screens which are not a strain upon the eye," which Bush Radio Ltd. will no doubt duly take to heart.

Whether that confidence is well placed in the industry as a whole remains to be seen. Earnings and personal expenditure on consumption may well continue to rise, and entertainment, like beer, is certainly now competing on "normal" terms with other claimants for the consumer's pound. But one significant element in spending is still rising, with the ending of restrictions on hire purchase. As Mr Davis has said, "The cinemas are competing not only with television, but with the instalments on television"; and if the advertising carried by cinemas, among other media, should persuade the British customer to behave more like an American and devote more of his income to buying conventional luxuries "on time," it might thin the margin of income that entertainment lives on. The biggest potential change here, of course, is car ownership, which mortgages income over and above the instalments (as indeed television may, considering tube life and service charges); the "people's car," like the television set, would be a direct competitor for leisure hours. At this direct level, sponsored television cannot but bring television ownership nearer saturation and to some extent widen actual listenership, however much it cuts into the BBC's audiences.

Does this imply a continued concentration of whatever prosperity this business may attain into the circuits? Immediately, while the wider screens are still spreading and the early successful films with them, the smaller cinemas may well expect their own new lease of better business. But not all the smaller cinemas in Britain have the space to show the wider-screen films effectively; and not all their owners can find the money. Various calculations of costs that have been made in the industry suggest that the larger cinemas, which get most of the business and are more strongly controlled by the circuits, also have better unit profits. The whole of the industry will benefit from the reduction of some £3½ million in Entertainments Duty conceded this year, but it is not yet clear how the incidence of the reduced taxes and the revised scale of Eady levy will on balance benefit large as against small cinemas. There seems little likelihood that circuits would now embark upon the building of new cinemas, at current prices, to compete with established independent exhibitors for the local monopoly of a good site; but some renewed wave of amalgamation may already have started, in the consolidation of some of the smaller circuits. All in all, cinema prospects look less tragic than they did a year ago. But in a business which could hardly raise new capital, Mr Rank's concern with liquidity is understandable; during this testing time the chances seem even more heavily loaded towards the competitors with the longest purse.



EARNINGS AND ASSETS OF RANK ORGANISATION, 1948-54 (£'000)

End-June	1948	1949	1950	1951	1952	1953	1954
Consolidated earnings:							
Trading profit..	5,909	1,587*	3,293	5,125	6,397	6,762	7,704
Depreciation....	978	1,170	1,435	1,280	1,247	1,319	1,543
Taxation	2,529	717	1,215	1,710	2,512	2,612	3,259
Net Profit.....	670	*Dr2,133*	*Dr1,098*	138	835	1,191	1,031
Sundry credits.	60	2,246	970	140	393	273	671
Ordinary dividends	166†	36†	...	...	...	...	78
Ordinary dividends (per cent)	17½†	3½†	...	...	...	...	15
Retained profits	380	*Dr 133*	*Dr 125*	278	1,055	1,003	1,533

	1948	1949	1950	1951	1952	1953	1954
Consolidated balance sheet:							
Fixed assets, less deprec'tion	39,445	41,852	41,893	41,007	40,163	39,719	40,118
Goodwill, etc..	2,466	2,482	2,208	2,204	2,123	2,055	2,075
Trade investments	3,941	4,050	4,163	4,109	3,732	3,724	3,753
Films in hand..	12,431	10,575	7,050	4,120	2,560	2,507	2,700
Cash	2,497	1,952	2,043	3,025	2,267	2,920	2,761
Bal. sheet total	66,625	68,711	65,464	62,368	59,857	59,904	60,564
Bank loans ...	13,590	16,287	12,950	9,214	6,777	5,805	5,168
Loan capital..	18,228	19,981	19,253	18,645	16,735	15,894	15,271
Minority interests	16,058	16,238	16,839	17,602	18,273	18,738	19,116
Rev. reserves..	1,736	248	596	615	566	701	400
Capital reserves	603	790	117	376	1,422	2,423	3,951
Ord. capital...	947	947	947	947	947	947	947

* Including a non-recurring credit of £1,296,000. † Tax free.

Business Notes

The Market Clears a Hurdle

A RENEWED firmness has spread through stock markets in the past few days, despite the pressure of new issues and the expectation of further pressure to come. The undertone has, of course, been very firm throughout; and since the recent hesitancy had been caused principally by technical factors arising from the pace of the earlier advance, this week's revival has probably been due more to the clearing up of these technical weaknesses than to the general influences of the flow of cheering economic news. That was certainly true of the industrial market. The further weakness in stores shares—and also in Kaffirs—on the eve of Tuesday's unusually heavy settlement had provoked some noticeable uneasiness, and on Monday the *Financial Times* ordinary share index dropped by 1¾ points, to 170.0. But it regained two-thirds of that loss as soon as it was apparent that the settlement would be surmounted without trouble, and then went further ahead to 171.8, or only a fraction below the peak touched at end-August.

The gilt-edged market showed only a pale reflection of these uncertainties. After its fractional easing last Friday, it has displayed an impressive resistance both to the competition from the big new industrial loan stocks and to the further rise in bill rates in both London and New York. The Vickers £6 million of 4 per cent stock went with a big bang—applications totalled £143 million and Monday's opening produced a premium of 2 points—with the result that unsatisfied subscribers were ready assembled to seize the £4 million of East Africa 4 per cent stock, oversubscribed on Tuesday. The high spots of that day were the one-way option stocks—War Loan and 3½ conversion (1961 or after) both gained ¾ of a point. This, of course, was before the renewed slide in sterling, which started to fall

again on Wednesday, and on Thursday morning dropped to $2.79⅞—its first quotation below parity for many months. In consequence gold was then "fixed" at the new high point of 250s. 8d. a fine ounce.

There is still no reason to suppose that this decline springs from any underlying weakness, despite the poor performance of Britain's dollar exports during August; the major cause can still be presumed to be the seasonal payments for imports. And one influence that is certainly not casting any shadow over the market yet is the possibility of convertibility, despite the discussions that open in Washington on Thursday, on the occasion of the annual meetings of governors of the International Monetary Fund and the International Bank. Mr Butler, when he sailed for Washington (via Canada) on Tuesday, took care to emphasise that no spectacular results could be expected to emerge from these talks. He repeated yet again the well-known pre-conditions for convertibility; and did so in terms that plainly reveal his opinion that the prerequisites are still far from fulfilment.

End of Blocked Marks

DR ERHARD, the German Minister for Economic Affairs, has shown a delicate sense of psychological timing in announcing the total freeing of blocked mark accounts held by non-residents. As from Thursday of this week all blocked mark balances can be transferred to and between all countries that have clearing arrangements with Germany, with the important exception of the dollar countries. This positive move is rightly described by the German authorities as "a new important step towards convertibility." Made on the eve of the meeting of governors of the International Monetary Fund in Washington, it stands in significant contrast to the cautious remarks made by Mr Butler when he left for North America this week.

The German initiative is unlikely to be followed by any substantial exercise of the rights of free transfer now conceded to non-residents. For some time past there has been an active market in blocked marks; limited transferability had been permitted for some time, and since the spring had extended to all balances originating before March 31st of this year. The upshot was that the rates for blocked marks approached so close to the official parity as to make this week's declaration little more than the official admission of an already accomplished fact. It is estimated that a total of some DM600 million of blocked marks are actually in bank accounts, representing primarily the holdings of refugees and others who left Germany before the war and were unable to take their capital with them. These balances have probably changed hands many times and for some time past have been dealt in at around $23 to DM100 as compared with the official DM parity of $23.75. In addition, a total of fully DM12,000 million is estimated to be sunk in non-resident investments in Germany which, if sold, would have been converted into blocked marks. There is obviously no likelihood that the major industrial companies, whose subsidiary plants in Germany account for a large portion of these investments, will take advantage of the new-found freedom for liquidating their investments, and the German authorities do not expect any major pressure for transfer from this source.

The continued control of transferability of blocked marks into dollars is important, since it constitutes one of the few elements of discrimination against the dollar that are still retained in German exchange control and import licensing practice. The removal of all other distinctions between capital and current Deutschemarks nonetheless represents an important move; it has carried the advance of the mark towards convertibility appreciably beyond the point at present reached by sterling on the same road.

Fuel Shortage—and Costs

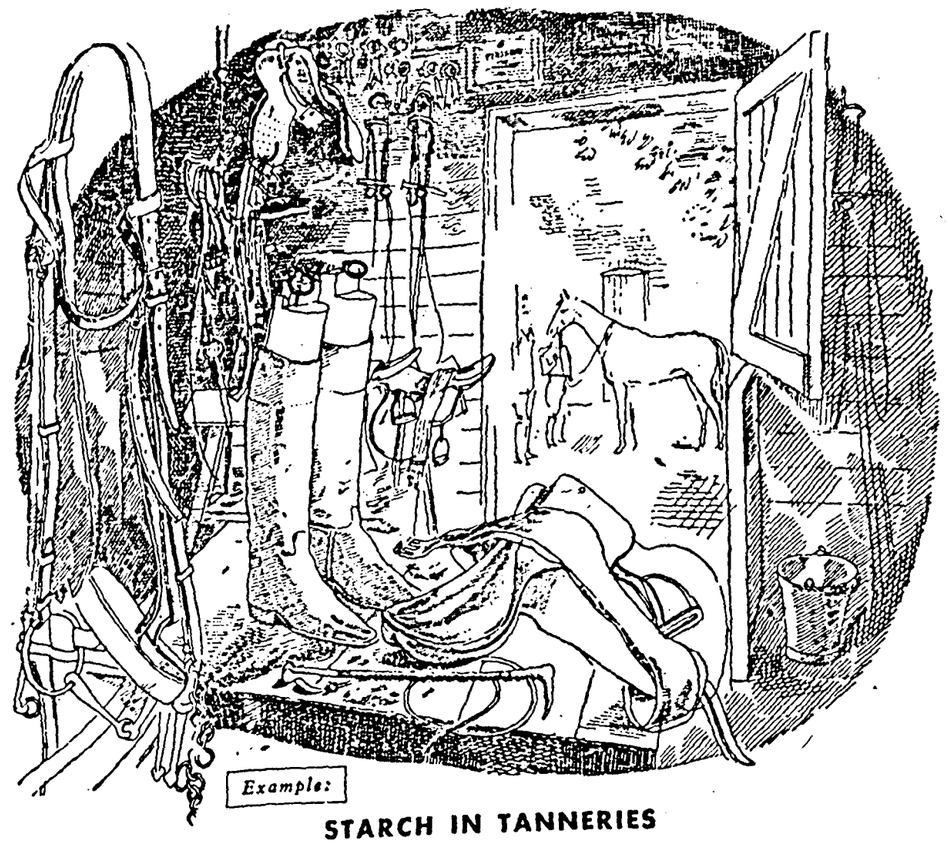
MOST recent forecasts of demand for fuel over the next ten years or so have suggested that this will outrun British coal production, at least until the end of that period, and the conferences organised by the Association of British Chambers of Commerce this week broadly accepted this view. They were offered the familiar analysis of the consequences: that unless export markets for coal are to be completely abandoned, Britain must rely more on imported fuels—either coal from abroad or the fuel oil that British refineries make as one of the products of imported crude oil. The Minister of Fuel and Power, indeed, specifically recommended the assembled industrialists to consider further switching to fuel oil, in line with his own policy. But the industrialists were also looking further ahead to the advent of nuclear electricity. They were warned this could not make any significant contribution in the next ten years.

Mr Humphrey Browne, Director-General of Production of the National Coal Board, was discussing demand for coal this week from the rather different standpoint of the man who has to decide how it can be produced. He accepted the figure of 250 million tons that has been urged upon the Board as the likely demand in 1960-65, and felt that even when nuclear energy comes in that demand ought to be maintained. His own view, however, was that at times during the next decade the National Coal Board will have to be prepared to deal with minor and temporary surpluses of coal supply over demand, certainly for particular kinds of coal—an estimate that is reminiscent of Sir William MacGilvray's guess two months ago that if coal rationing ended next May it would release an extra demand for only a million tons more coal a year.

Mr Browne repeated that he had no sympathy for "the doctrine of pricing coal on marginal costs in order to restrict demand." But he remains very seriously concerned over the high cost of marginal tonnage—30 million tons of coal produced in 1953 were got at losses from 10s. per ton upwards with a total loss of £25½ million, and the most expensive 2 million tons were got at an average loss of 43s. a ton. His own immediate preoccupation is with the possibility of closing some of these highest-cost pits and releasing the men from them to work more effectively elsewhere. But he was obviously aware of the effect of present pricing policies in maintaining demand for just these costliest tons; it is a problem to which the attention of the Coal Board is increasingly being directed as the possibility of a slightly closer balance between demand and supply approaches. The board's industrial consumers were

Starch

does surprising things IN SUCH SURPRISING PLACES



Example:

STARCH IN TANNERIES

Glucose, made from starch, is used by tanneries in a number of curiously different ways. Its main use in vegetable tanning is in the finishing processes. It is used, in addition to other leather dressings, to increase the suppleness and tensile strength of the leathers. In 'chrome' tanning glucose plays a more direct part: it is used for the reduction of bi-chromates of sodium or potassium, in the presence of sulphuric acid, to form basic chromium sulphate — the main tanning agent in the 'chrome' tanning process. Glucose is also used for making a mulling solution in which sole leathers are often steeped before they are cut into soles. Mulling makes the leather easier to cut and less liable to damage during cutting. The tanning trade buys most of its glucose in the form of solid glucose 'chips.' 'Buffalo' Glucose Chips, produced by Corn Products Company Limited, the Industrial Division of Brown & Polson, are well known throughout the tanning industry.

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 building up 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.

CAN STARCH HELP YOU? When you read in these advertisements how starch products are helping other industries you may see new possibilities of turning them to account in your own business. We shall be glad to discuss them with you.

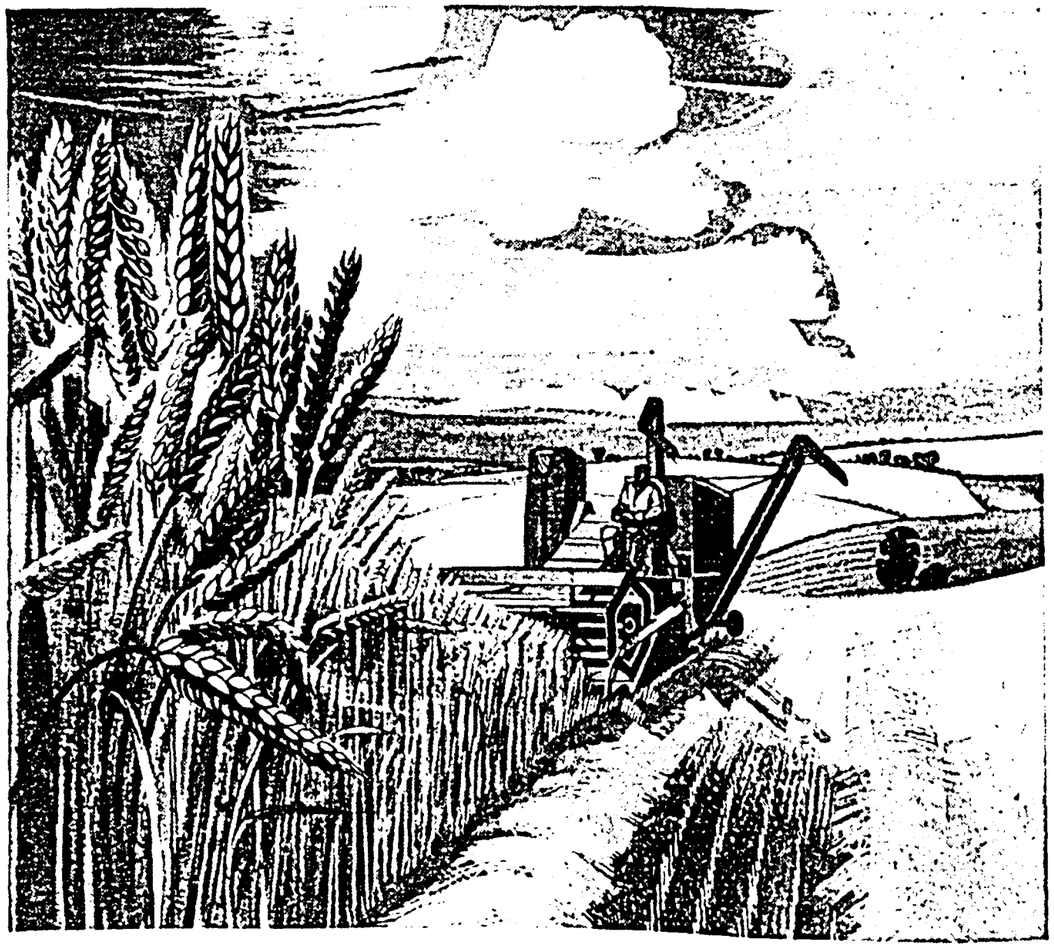
B&P

CORN PRODUCTS COMPANY LIMITED

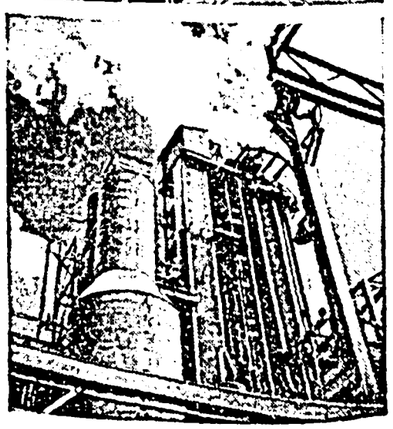
THE INDUSTRIAL DIVISION OF

Brown & Polson

WELLINGTON HOUSE, 125/130 STRAND, LONDON, W.C.2



Harvest and Plant



COMBINE HARVESTERS run on oil. Without this oil we should need many more men and horses to bring in the harvest.

Providing oil power for agriculture is just one of the international services of Anglo-Iranian Oil Company. From Anglo-Iranian refineries in seven countries flows a steady stream of petroleum products of all kinds. They help to fly aircraft, run heavy lorries, fire furnaces and perform a host of other vital functions throughout the world.

THE BP SHIELD IS THE SYMBOL OF THE WORLD-WIDE ORGANISATION OF

Anglo-Iranian Oil Company LIMITED

whose products include **BP Super** and **BP Energol**

still convinced that they have a right to cheaper as well as more coal; use of the price mechanism, they seemed to feel, is all very well when they are the sellers, but not when they come to buy.

Squeeze in Copper

THE price of copper seems to be charmed. Other metals have suffered sharp knocks in the past year; copper has held firm almost throughout. To the discomforture of buyers—and of some sellers, too—copper prices did not tumble after private dealings were restored in Britain; they ignored the huge surplus in Chile and scarcely fluttered during the American recession. The American stockpile rescued the Chilean surplus from the market, and cut-backs in production in the United States and Chile did the rest. The reduction in output proved to be unnecessarily severe. Consumption recovered quickly, and now strikes in the United States and Chile have accentuated the shortage of copper for early delivery. American producers have little unsold copper for shipment during the remainder of the year, and Chile has been unable to meet some of its forward sales commitments. Hence the pronounced squeeze on supplies on the London Metal Exchange, where a good deal of Chilean copper appears to have been hedged. Metal Exchange stocks have been falling week by week, and prices have bounded upwards in a narrow market.

Cash copper has risen in the past month by about £17 to over £250 a ton, and three months has risen by about £9 a ton to over £240 a ton, the backwardation having widened to nearly £10. The chief restraint upon a further rise appears to be the price policy of producers in the United States, who apparently intend to maintain their price for prompt copper at 30 cents a lb (£240 a ton), at least for some time. The advance in prices in London clearly carries with it the likelihood of a sharp reaction after a settlement is reached in Chile. The reaction may not immediately be sharp, because it will take time for Chilean supplies to improve. Even then, prices are unlikely to drop below their levels of a month ago. Until the end of the year at least, the prospective limitation of supplies and briskness of demand for copper should maintain a firm undertone to the market.

Investment in Liners

THE new P and O liner *Iberia*, which completed its sea trials last week-end and sails on its maiden voyage to Australia in ten days' time, seems likely to have cost well over £6½ million. This makes it the most expensive passenger ship ever built in a British shipyard; the *Queen Elizabeth* was completed for £6 million and has nearly three times the tonnage, though the different forms of superstructure on an Atlantic liner and one designed for Far Eastern trades may somewhat exaggerate the difference in actual dimensions.

The *Iberia* completes P and O's ship building programme for the time being, and indeed the company does not seem likely to need major replacements of tonnage for five or six years. Inevitably this has aroused speculation whether this may not be the last liner of such a size to be built by a British line unless shipbuilding prices can be moderated. Indeed some of their friends have asked whether P and O might not have been better off with a fleet of big new airliners—perhaps Britannias—in place of this magnificent ship. The *Iberia* will carry about 1,400 passengers each way, about half first class and half tourist, on the Australian run four times a year; and advocates of air transport have argued that a fleet of big airliners, with a lower initial cost, could carry more passengers in a year. None of them have suggested that air transport could deal with the cargo that the *Iberia* can carry in its 300,000 cubic feet of hold space, about half of it insulated for refrigerated cargo, and the company is clearly confident that the new liner will be assured of profitable employment throughout its operating life. But P and O is fully alive to the possibilities of the further transfer of business to the airlines, at any rate in passenger transport. It has, of course, a substantial financial interest in independent air business, including a large proportion of the military trooping to the Far East.

The building of new liners, at today's high prices, is taken by the liner companies as wholly essential to maintain the trades in which their ships operate. Companies such as P and O justify their resistance to the admission of new competitors—for example, the Japanese—to established liner conferences only by the claim that they can already offer full and modern service on the routes. This company and others are certainly making significant investments in independent air transport, in order to hedge their risks for the future. But while Britain, among other countries, follows the policy of the "chosen instrument" in regular airline operation, the liner companies will not be allowed to invest in airlines working directly over the main routes, so that the choice is not a clear cut one of maintaining the trade with one form of transport or another. Moreover, despite their apprehensions about passenger trends in the future, the liner companies are well aware that regular airline operation even today, and even with the considerable elements of subsidy that it enjoys, is still a considerably more dubious commercial proposition than running a shipping line.

Money in the Shops

THE bad weather this summer seems to have driven rather more people more often into the shops on wet Saturday afternoons. Despite the very gloomy forecasts that were made at the time in various trades, the retail business has been doing very well; and that goes for sales of clothing as much if not more than some other retail goods. Figures published by the Board of Trade for retail trade in July show striking increases of 10 per cent or more on July last year for all grades of retailers dealing in articles other than food. Prices have remained virtually stable over the last twelve months, so most of this represents the moving of more goods over the counter. Sales of food were up by some three per cent in

July: but nearly the whole of this would be accounted for by higher food prices.

Since April, clothing sales have been well up on last year. May was a bad month, but increases of 16-17 per cent were recorded in April, 20 per cent in June, and now 12-16 per cent in July. The multiples have received most of the increased business, and have done well in most lines except for the obvious failures such as summer dresses. Stocks in most shops and stores were much lower at the end of July than at the beginning, though they were still some 8 or 9 per cent above the level of a year ago. Sales of furniture and household goods probably reflected to some extent the removal of hire-purchase restrictions, even though this did not take place until the middle of the month and did not alter terms for furniture. Both the larger retailers and the independent shops, who figure strongly in this kind of business, had their best month yet, comparing this year with last. Even the independent retailers have now sold more household goods so far this year than they did in the same months of 1953, itself an exceedingly good year.

But on the whole it is the department stores and the multiples that have enjoyed most of this new business. The co-operatives had another good month in most things other than food, but by the end of July their turnover was only some 3 per cent up on 1953, compared with the increases of 5-7 per cent recorded by the stores and multiples.

ITA Gets Going

THE Independent Television Authority has now appointed its chief executive official, the Director-General, ordered six transmitters, of which one is ready to be used, and obtained applications from enough programme contractors to ensure that virtually all of its time and space on the air will be filled. This has taken six weeks; the authority hopes to be in a position to start transmitting by early autumn of next year.

By that time the technical difficulties involved in sharing facilities with the BBC, already agreed in principle, will have been hammered out. Neither the BBC nor the new authority see any merit in duplicating the network of masts and aerials that the Corporation already operates up and down the country; details such as building accommodation, responsibility for servicing and maintenance, and payment remain to be settled. Three stations will be opened up together; these will be in London, Birmingham, and in the Manchester and Liverpool area. Sir Kenneth Clark, the chairman of the authority, hopes that about a half of the population will be covered to begin with. Further stations will be established at the rate of about three a year. Marconi already has available the transmitter that will be used at the Crystal Palace site in London and two others are to be delivered by the autumn of next year. Three more transmitters are being ordered from Pye; these are smaller in capacity. By the time that these transmitters and the authority's other facilities in and out of London have been paid for, a sizeable hole will have been made in the £1 million that the authority can draw from the Postmaster-General before its programme revenue starts to flow.

About 20 applications from would-be programme contractors have been received and others are still expected. There are five large contractors who are prepared, if necessary, to take on the authority's whole network for a day or more at a time. So far only seven local contractors have applied, but once the details of proposed operations are more widely known the authority expects many more local firms to appear. How the authority will allocate time between these contractors, and indeed, the total number that it will deal with, has still to be worked out. But at least the authority, and the Government, will be able to breathe more easily now that it seems fairly certain that the authority will only occasionally be called upon to put on programmes itself.

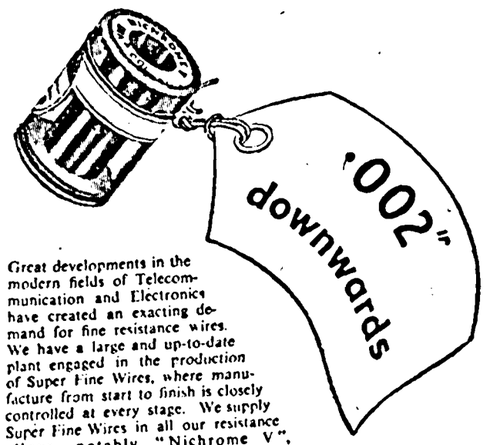
Dwindling Margins for the Airlines

THE world's major airlines have been taking stock this week in Paris of their economic situation, which seems to be deteriorating steadily as the volume of air traffic grows. In his annual report to the assembled members of the International Air Transport Association, Sir William Hildred, the director general, spoke frankly of "an economic shock wave" that had hit the industry. This seems strong language to use at a time when the airlines all over the world appear to have entered on a period of steady expansion, when traffic is rising and fleets are being lavishly re-equipped. Passenger traffic on scheduled services all over the world (including non-IATA members but excluding airlines in China and Russia) rose 16 per cent last year to a total of 46,000 million passenger kilometres. Mail traffic was up 7 per cent and cargo, 4 per cent.

While this expansion has been taking place, largely through the medium of lower fares, the margin between costs and receipts has been gradually narrowing until it is, according to Sir William, "in many cases, almost non-existent." But this does not prove that air transport is basically uneconomic. During the year covered by Sir William's gloomy diagnosis, British Overseas Airways Corporation, an operator that consistently lost immensely heavy sums during the postwar years in which air transport as a whole has become profitable, made a net profit in the order of £1 million. It is more probable that the industry is going through a period of temporary disequilibrium following a big increase in carrying capacity. There is bound to be some time-lag before new traffic appears to fill this capacity. For example, the potential passenger-carrying capacity of IATA members, which between them account for 86 per cent of the world's scheduled air traffic, rose 22 per cent during 1953; the proportion actually sold went up only 20 per cent, so that the average load carried declined.

Tourist fares have brought a new class of passenger to the airlines to fill the additional seats, but have done so at fares so low that the services will break even only when the aircraft can be filled reasonably close to capacity. Tourist flights are fast becoming the standard form of air service, and at the present time, the airlines do not see much opportunity for reducing fares any lower in order to tap a fresh section of the passenger market. There remains freight. This has been the Cinderella of air transport, relegated as make-weight to the passenger services, which yield 70 per cent of airline revenue and ruled by a patchwork jumble of rates. Most observers in the airlines would agree that the time has now come to devote the same attention to

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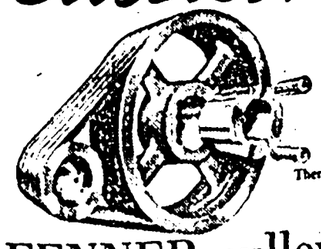
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developing freight traffic that has been given over the past to passengers. When the Paris meeting is over, the IATA airlines will move on to their real business, a rate conference to be held in Venice, where it is hoped at the least to clear the ground for the formation of a new freight policy that will bring more of this kind of inanimate (and so more amenable) traffic into the air.

Mr Clore Clears the Deck

MR CHARLES CLORE, assisted no doubt by his grey eminence, Mr Sainer, has reshuffled his holdings with the dexterity of a conjuror. The conjuror's patter, "there it is, there it isn't," is almost audible. Having made his successful bid for the ordinary shares of J. Sears, Mr Clore was free to carry out his plan, with the aid of some insurance companies, of selling many of the company's freeholds and taking the properties back on long leases. By the end of last March these transactions had added about £3 million to the cash resources of J. Sears; Mr Clore was then considering further sales which would bring in another £1 million "or even more." These funds were available for investment in "sound and progressive businesses."

Two issues were left unresolved: the placing of the newly released money more firmly in the control of Mr Clore and his associates than the 25 per cent outside equity shareholding in J. Sears would allow, and the consolidation of Mr Clore's interests. Both have now been settled. A new company, Haverton Holdings, owned by Mr Clore's interests, has been formed with an ordinary capital of £2 million of £1 ordinary shares and £1 million of £1 6 per cent preference shares. Haverton Holdings owns all the issued capital of Furness Shipbuilding Company, which in turn controls Bentley Engineering (to the extent of about two million shares). That company controls the hosiery machinery company, Mellor Bromley. All the ordinary shares of Haverton Holdings have now been sold to J. Sears for £3½ million. That price is "based as to the Furness Shipbuilding Company's undertaking on a valuation by Price Waterhouse and Company and as to the controlling interest in the Bentley Engineering Company on prices lower than those currently quoted on the Stock Exchange, London, for shares in that company." (That seems to point to a potential share dealing profit if at any time J. Sears sold some of its Bentley Engineering shares in the market.)

The reshuffle leaves Mr Clore and his associates with the ace of trumps—the £3½ million in cash which arises directly from the sale of the Haverton shares but which originally sprang from the Sears transaction. Any calculation of the "profits" that have accrued is vitiated not only by the fact that not all the details are known but also because no one can be certain about liabilities for tax. Effectively, the reorganisation leaves the passive spectators, the minority shareholders in J. Sears, with the knowledge that their previously undervalued shares have been transformed into investments in an assorted bag of companies; these companies are currently earning profits of more than £1 million a year. In addition, they have a claim on the residual profits of the other Sears subsidiary, Freeman, Hardy and Willis—the boot and shoe company which now has higher rents to pay than in the past. More than this, the reorganisation, following as it does on the complete hiving off of the shoe business into Freeman, Hardy and Willis, consolidates Mr Clore's interests under the control of one holding company. It clears the deck for any further deals he may be considering.

Capacity for Coal

A COAL mine is an underground factory with moving walls, which it extends by consuming them. In selecting "the physical capacity of the pits to produce coal" as the limiting factor on output from British mines in the short term, Sir Hubert Houldsworth was concerned last week to emphasise the familiar though still peculiar circumstances of extractive industries. Current production has to be complemented by not immediately productive "development" of further coal faces and the roads and transport to serve them—plus adequate exploration and sinkings of fresh mines—merely in order to maintain the industry's capacity to produce. Current output, in such industries, can always be stepped up quickly or taken out more cheaply at the expense of future capacity; Sir Hubert argued that the industry's capacity is still impaired today as a result of the employment of such spendthrift mining methods in the war and inter-war years.

The capacity of the mining industry is indeed, in the short run, inflexible. Between the beginning of 1949 and the end of 1950 manpower on British colliery books fell by about 40,000, by which time some mines were on the verge of ceasing to be effective operating units. In the next two years manpower rose by about 35,000 back to nearly the previous level—and in all but a few areas the industry had to turn away men because it could not usefully employ them. Such rigidity certainly emphasises the danger of mortgaging future capacity for immediate output; and it is fair to say that during the last three years, since it began to increase the capital investment with which development work is inextricably associated towards the levels set in its development plan, the National Coal Board has not itself been doing this.

The effort devoted to development, of course, does not come out in the production statistics; another hidden element, as Sir Hubert pointed out, is the amount of dirt raised with the coal, which because the best seams are gone and mechanisation mostly degrades coal, has markedly increased since the war. His conclusion from these points—that the comparisons commonly made between output in 1913 and 1937 with output in postwar years are therefore largely meaningless—was probably soothing to his audience at the National Coal Board Summer School last week, as being both broadly true and convenient. His further calculations that if in 1954 the industry had as many miners as in 1913, or as many miners and the same pit capacity as in 1937, it would be producing roughly as much coal, seem rather less profitable. To distinguish the circumstances of the past from those of the present is useful in deciding how to act in future; but ifs have even less calorific value than dirt.

August Trade

AUGUST, when people flock to the seaside instead of to the factories, is always a poor month for British exports, and it cancels the benefit of the big jump in shipments during the long working month of July. As neither month is representative, the best guide is the average of July and August together. Exports last month fell by over £40 million to £205.6 million fob, but the average of £226.3 million for the two months was 5 per cent higher than that of the same period of last year and £2.5 million better than the monthly average of the second quarter of this year. Re-exports in July and August averaged £8.7

UNITED KINGDOM TRADE
(£ million—monthly averages)

	Imports cif	Exports fob	Re-exports fob	Trade deficit
1953 :—				
1st quarter....	272·4	208·5	10·0	53·9
2nd "	291·7	210·0	8·0	73·7
3rd "	274·8	211·6	8·5	54·8
4th "	276·1	230·6	8·7	36·8
1954 :—				
1st quarter....	273·7	221·4	9·3	40·0
2nd "	284·0	223·8	8·6	51·6
July	289·7	246·9	9·1	33·7
August*	266·7	205·6	8·4	52·8

EXPORTS TO NORTH AMERICA

	USA	Canada	Total
1953 :—			
1st quarter.....	12·7	11·3	24·1
2nd "	13·9	15·7	29·5
3rd "	13·9	12·8	26·7
4th " ..	12·4	12·5	24·9
1954 :—			
1st quarter.....	11·9	10·5	22·4
2nd "	12·5	12·1	24·7
July.....	12·9	11·3	24·1
August*	10·0	9·6	19·6

* Provisional.

million, about the same as the second quarter average. Thanks to a seasonal decline in imports to £266.7 million cif in August, the average for the two months of £278.2 million was 2 per cent less than the second quarter average but nearly 3 per cent higher than in the corresponding months of 1953. Although the visible trade deficit rose sharply to £52.8 million, the two-monthly average of £43.2 million compared favourably with the average deficit of £45.8 million a month in the first half of the year.

Exports to North America failed to maintain the recovery that began in the second quarter. The two-monthly average of £21.9 million was 11 per cent below the second quarter average and 20 per cent less than in the same months of last year. Shipments to the United States averaged £11.4 million in July and August compared with £12.5 million in the second quarter; shipments to Canada fared rather worse, averaging £10.5 million compared with £12.1 million in the second quarter.

Plunge in Cocoa Prices

SHORTAGES of commodities have the disconcerting habit —to the people financially involved—of easing as swiftly as they came. The shortage of cocoa, which caused the price to double within a year to a peak of about £550 a ton, has now eased to the extent that the price has plunged down by roughly £100 a ton. The decline was set off by the withdrawal of the minimum export price in Brazil. The mid-crop in Brazil proved to be rather bigger than was generally expected, and exporters there were already offering cocoa below the minimum price of 63.25 US cents a lb. When the minimum was withdrawn, they scrambled to press supplies on a falling market. They were joined by Brazilian speculators who had bought in the expectation of a rise, and then by sellers of French West African cocoa. The British West African marketing boards recently weakened market confidence further by selling a small quantity of 5,000 tons to British manufacturers at £425 a ton for October/December shipment; this is £20 a ton below their previous price and £70 a ton below their opening price for the new season's crop.

Selling pressure has now died away; the marketing boards have withdrawn; and most buyers are holding off to await the publication next week of the first official estimate of the main crop in the Gold Coast, the largest producer. The crop is unofficially estimated at some 230,000 tons or more, compared with last season's small crop of 205,000 tons. No estimate of the crop is likely to be reliable so early in the season, but the prospect of only a small addition to or a drop in supplies could again have a disproportionate effect on the price.

Wool Prices Steady

THE break in wool prices has been checked this week. Despite a very heavy offering at the Australian auctions, prices there have held steady except for faulty wools, and the tone of the market is firm. At the London auctions prices of merino wools, which suffered the largest decline, have rallied by about 2½ per cent, and medium quality crossbred wools are also about 2½ per cent dearer. Buyers were prepared to pay a small premium over Australian prices to obtain wool in London. In South Africa, too, the market is firmer, and prices for comparable wools appear to be slightly higher than in Australia, no doubt because South Africa is also a nearer source of supply.

Competition has become more widespread at all the wool-selling centres, and practically all the wool on offer has been sold. While buyers remain cautious, they seem to be gaining confidence in the market. The lower level of prices compared with the close of last season should in time stimulate business throughout the chain of manufacture; merino wool in particular now looks more attractive to the trade. It is still much too soon, however, to be sure that fresh weakness in prices may not occur later on. Crossbred wools still command something of a scarcity value which will be tested when larger quantities become available at the opening of the New Zealand auctions at the end of October.

The Tangle of Exchange Control

THE banks authorised to transact foreign exchange business in Britain have recently received one of the administrative series of notices issued by the Bank of England summarising in convenient form the law contained in the Exchange Control Act of 1947 and the various Treasury orders made under that Act. Although this notice breaks no fresh ground, it provides a salutary reminder of the horrifying tangle of regulations, form filling and other impedimenta that remain to bedevil the banks and their clients when they engage in foreign exchange business. In spite of the considerable simplification in the structure of exchange control that has occurred recently, particularly through the world-wide extension of the transferable account system, it still demands the concentrated attention of battalions of clerks and higher executives. The latest notice draws particular attention to this mass of negative paper work in its explanation of the various returns that have to be made to the Bank of England. When authorised banks buy and sell foreign currencies from or to their customers forms E, T1 or T2 must be held. The E forms have then to be lodged with the Bank of England on the fifth working day after the date on which the deals were booked. The T1 and T2 forms have to be lodged weekly with the Trade Control and Investigations Office of the Bank of England.

Authorised banks must also complete a return, "Return 54/1," showing their positions on the last working day of each month in all currencies for which official rates are quoted and also in Canadian dollars. Returns must similarly be furnished in respect of other currencies where the positions, short or long, exceed the equivalent of £2,000 or where spot balances held against forward liabilities exceed the equivalent of £15,000. There is yet another form, "Return 54/3," on which the authorised banks have to show their gross forward arbitrage purchases and sales in EPU currencies. These particular returns must be lodged with the Bank of England (Dealings and Accounts Office) not later than the 8th of each month. Those who count the risk of a move to greater freedom in foreign exchange matters might occasionally give a thought to the gain to be secured by the dismantling of this paraphernalia of controls by freeing for more constructive tasks the thousands who tend it directly and the even greater number in banking, commerce and industry whose time is occupied in satisfying its formalities and inquisitions.

Coping with "Free" Sugar

THE difficulties of the International Sugar Agreement, which were discussed in *The Economist* last week, have been eased for the time being. With only three months of the year to go, the International Sugar Council has at last brought supplies of raw sugar for the free market broadly into line with demand, and it has found the task easier than its earlier estimates suggested. Thanks to a substantial increase in the requirements of India and the smaller Commonwealth countries, the estimated requirements of the free market in 1954 have been increased by 466,000 tons to 4,330,000 tons. Exports from non-participating countries are estimated at 875,000 tons, and the effective export quotas of members amount to 3,709,000 tons, a total of 4,584,000 tons. Hence the surplus has fallen to the relatively small figure of 254,000 tons. The expected deficit in the exports of some members amounts to 142,000 tons, of which 100,000 tons will be redistributed among other exporters. The council recommends that members waive their right to the redistribution of the other 42,000 tons, and that Brazil, Cuba, Czechoslovakia, Formosa, the Dominican Republic and Poland voluntarily agree to wipe out the remaining surplus of 212,000 tons by a pro rata reduction in their export quotas.

The elimination of the surplus is admittedly theoretical. It may be too late for some countries to make the voluntary cuts in exports, and demand on the free market during the remainder of this year may prove to be smaller than has been supposed. But the fact that the surplus itself is now much less burdensome, and that 350,000 tons of Cuban sugar have passed into the hands of a single official seller, should enable the agreement to weather the next three months. Further crop restriction in Cuba, and a smaller European beet crop, should give the agreement a somewhat smoother passage in 1955. The council's own indication of the outlook for next year will be known in November, when it meets again to consider the estimate of free market requirements in 1955, and to assign initial export quotas. In view of this year's experience, it would seem desirable that the council should take a severe view of import requirements, and fix the quotas accordingly, supported if necessary by voluntary reductions at the outset. It may be too much to expect the council's powers to restrict exports to be strengthened, but until this is done the agreement is likely to continue to be threatened by excessive supplies for some time.

Cheer About Chemicals

IF any fresh evidence were required to prove that the chemical industry is surf-riding as high on the wave crests as most of British industry it has been provided by the two interim statements from Monsanto and Albright and Wilson. Both companies have reported an increase in sales in the first half of the year; both of them have made full use of newly installed capacity. In the first half of the year, Monsanto's sales in Britain amounted to over £6.1 million, compared with £5.2 million in the first six months of 1953. The directors of Albright and Wilson have not published sales figures, but they describe the increase in turnover as substantial.

As an inevitable corollary, profits have gone up. Monsanto's half-year's income, before tax, has reached £888,000, nearly double the income of £489,000 earned in the first half of 1953; so too is its net income of £408,000, against £224,000. Less spectacularly, Albright and Wilson has earned a trading profit of £1,680,000 and a net profit of £430,000, compared respectively with profits of £1,370,000 and £375,000. These figures have kindled optimistic hopes about the future equity dividends of ICI as well as those of the two companies concerned. But Monsanto has merely



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maintained its interim payment at 6¾ per cent; and while Albright and Wilson has raised its interim from 5 to 7 per cent the directors are careful to point out that this increase is designed to level out the year's payments.

Expectation will not be killed by such caution, for both companies look forward to the closing months of this year with zest. Having reported an increase in sales at home and maintained sales abroad in spite of intensified competition, the directors of Monsanto say that "general demand is being well maintained." That may be an understatement for they then add that the company's products appear to be going directly into consumption and not into stocks. The directors of Albright and Wilson are explicit; having described demand as "firm," they remark that working forecasts indicate that the volume of trade will be even higher in the last half of this year than it was in the first.

SHORTER NOTES

The Treasury has announced another of its customary conversion offers for Defence Bonds. This time the holders of the 3 per cent bonds maturing between January 1, 1955, and May 5, 1955, are invited to continue their bonds until July 1, 1955. If they accept the offer, they will be paid on that date a full six months' interest and the maturity premium of £1 per cent. Their bonds will then be exchanged into the same amount of 3¼ per cent Defence Bonds (Conversion Issue).

★

Tea prices are still climbing. In London this week common tea reached a new peak of 5s. 5¾d. a lb., a rise of 5d. in a fortnight. The increase in retail prices is now likely to amount to 8d. a lb.

★

Although Powell Duffryn's income before tax has risen from £1,476,910 to £1,810,362 and its net profits from £556,883 to £777,395 in the year to March 31st, the directors have been content to leave the ordinary dividend unchanged at 8 per cent. The completion of the company's negotiations with Socony-Vacuum will take longer than had been expected so that the date of the annual general meeting has been postponed until a little later in the year.

Company Notes

GESTETNER. Gestetner, the office machinery manufacturers, fittingly celebrated its silver jubilee year as a public company by making the greatest number of sales in its history. The company's trading profits went up from £1,140,454 to £1,260,137. Ordinary shareholders will receive bigger dividend cheques. The dividend rate has been left unchanged at 20 per cent but this year it will be paid on an ordinary capital of £1,293,504, as enlarged by the one for five free scrip issue.

The directors seem to be looking forward to another rise in sales in the current year, for stocks of raw materials and work in progress have been increased to ensure a smooth flow of production. In the balance sheet, the latest year's achievements are reflected in the rise in debtors (from £1,244,963 to £1,443,679) and the hopes for the current year in the rise in stocks (from £1,217,645 to £1,347,102). The provision of further working capital, accompanied by more fixed capital investment, has made a slight call on liquid assets but these resources are more than ample enough to meet any fresh commitments. The balance sheet figures as well as the increase in earnings should justify the forward looking yield of 4¾ per cent offered by the 5s. ordinary shares at the current market price of 21s. 9d.

	Years to Aug. 31, 1953	1954
Consolidated earnings :—	£	£
Trading profit	1,140,454	1,260,137
Depreciation	151,458	195,468
Taxation	536,651	587,564
Net profit	*341,994*	*417,423*
Ordinary dividends	118,159	142,162
Ordinary dividends (per cent)	20	20
Retained by subsidiaries	185,450	208,562
Retained by parent company	140,650	96,310
Cons. balance sheet :—		
Fixed assets, *less* depreciation	1,071,831	1,212,660
	2,581,474	2,540,080
Net current assets	1,217,645	1,347,102
Stocks	1,237,640	1,055,768
Cash, etc.	1,831,082	1,997,408
Reserves	1,074,170	1,293,504
Ordinary capital		

8s. ordinary stock at 21s. 9d. yields £4 12s. per cent.

★

INTERNATIONAL TEA. The end of rationing has been followed, to use the words of the chairman of International Tea, by "cut and thrust competition" between the grocers. The customer is now the dictator. Costs are rising; at the auctions tea has fetched ever higher prices and another increase in its retail price is promised; and fresh claims for higher wages are now under negotiation. Competition has put a ceiling on most prices. Sales of different foods have fluctuated quite widely and their future course is difficult to predict. Profit margins are uncertain and, both in the wholesale and retail branches of the trade, meagre. To keep profits up the grocers have at the very least to maintain their sales.

That ideal demands two courses of action, both of which International Tea has followed. The first is a strict control on stocks; that control must also be flexible so as to allow for changes in consumers' tastes. The company's success in this direction is indicated by the fall in its stocks from £5 million to under £4¾ million. The consequent improvement in liquid resources helps the company towards its second objective, the further modernisation of its retail stores; part of the money spent by the company has gone into the conversion of shops into self service stores. Commenting on these conversions, Mr Frank Wilson uses the imperative mood: "Turnover is our lifeblood. If self service is the solution then we must adopt it where we are satisfied that this method of trading will attract the public."

	Years to May 1, 1953	1954
Consolidated earnings :—	£	£
Trading profit	1,735,834	1,755,352
Total income	1,936,164	1,777,829
Depreciation	242,123	268,552
Taxation	838,877	856,181
Net profit	*657,391*	*563,992*
Ordinary dividends	168,563	170,500
Ordinary dividends (per cent)	20	20
Retained by subsidiaries	58,688	56,820
General reserve	200,000	200,000
Added to carry forward	3,718	667
Cons. balance sheet :—		
Fixed assets, *less* depreciation	5,493,609	5,576,952
Net current assets	5,212,330	5,547,722
Stocks	5,057,744	4,725,476
Cash and TRC's	795,182	1,411,962
Capital reserves	1,249,055	1,331,778
Revenue reserves	4,297,470	4,557,162
Ordinary capital	1,550,000	1,550,000

5s. ordinary share at 22s. 9d. yields £4 8s. per cent.

In the year to May 1st, International Tea may have felt only the nibble of competition. Its trading profits hardly altered, thanks to better results from the tea and preserves departments (balancing out the fall in demand for cakes and biscuits). The company may yet have to experience the full bite of competition. In the current year, for instance, the chairman expects smaller profits from the sale of tea.

If the company repeats the ordinary dividend of 20 per cent, as it did in 1953-54, the 5s. ordinary shares at the current price of 22s. 9d.—thanks to some short-sighted buying when rationing came to an end—would offer the slender yield of just over 4.4 per cent.

★

DAVY AND UNITED. British industry is still short of capital equipment. But the pace of installation is quickening. Heavy engineering concerns such as Davy and United cannot fail to do well, though they must glance now and then over their shoulders towards Germany. Full order books would not be so full if they failed to keep a strict control on costs, delivery dates and prices. Davy and United's order books are bulging—only recently has it secured an important contract from Dorman Long—and the directors feel confident of "the company's continued success over the next two or three years at least." It would be a sad case indeed if the directors were unable to be so confident, for as a producer of rolling mills and other heavy equipment Davy and United should be a prime beneficiary of the continuing development of the steel industry.

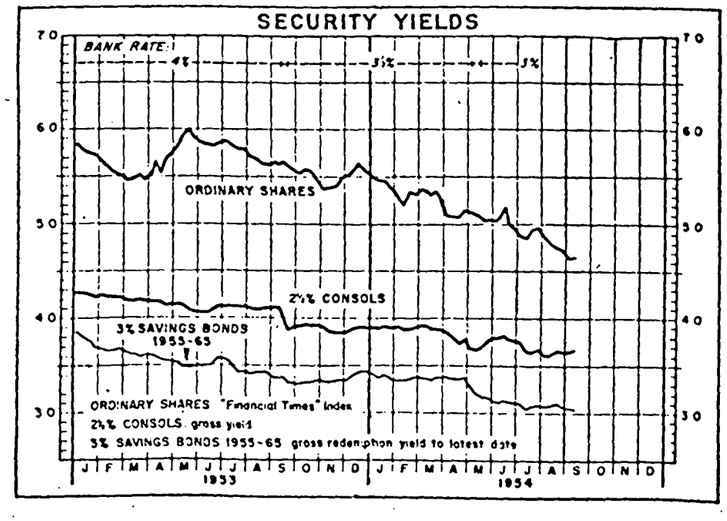
Its trading profits, which went up from £442,798 to £551,330, certainly benefitted in the year to March 31st. Unfortunately, trading profits do not tell the whole story. Net profits have fallen slightly, simply because the provision for contingent claims has suddenly been increased from £41,099 to £196,754. The directors explain that this additional provision is an exceptional amount, designed to meet the estimated cost of "abnormal rectification work to be carried out on a number of contracts for a customer." That customer has notified the company of a claim for damages, but as the company has been advised that it has a good defence no specific provision has been made against this contingent liability. Beyond stating these facts the chairman, as the matter is still under negotiation, makes no further comment though "debtors" of £1,246,506 include the sum of £117,892 in respect of this contract.

Hence, the company has had the unpleasant task of reporting a fall in net profits in a year in which it achieved the highest turnover in its history. Confirmatory evidence on this point can be found in the rise in the gross value of stocks and work in progress, before deducting instalment and advance payments, from £3,885,839 to £4,030,565. The company,

	Years to Mar. 31, 1953	1954
Consolidated earnings :—	£	£
Trading profit	442,798	551,330
Depreciation	87,856	88,551
Contingent claims	41,099	196,754
Taxation	180,933	136,165
Net profit	*131,699*	*128,697*
Sundry credits	33,695	110,204
Available balance	*162,394*	*238,901*
Ordinary dividends	56,943	59,604
Ordinary dividends (per cent)	10	10
Retained by subsidiaries	20,000	20,000
Retained by parent company	85,451	159,297
Cons. balance sheet :—		
Fixed assets, *less* depreciation	1,405,566	1,486,816
Net current assets	1,192,387	1,288,753
Stocks	1,272,036	1,229,683
Cash, etc.	256,251	123,940
Bank overdrafts	303,268	256,430
Reserves	1,419,631	1,593,154
Ordinary capital	1,035,322	1,083,715

£1 ordinary stock at 35s. 2d yields £5 10s. per cent.

in spite of the increase in these instalment payments, is still short of cash. Ordinary shareholders have thus had to remain content with a repeated dividend of 10 per cent; as in the last three years this dividend has been accompanied by a tiny offer of shares (this time in the ratio of one share for every £22 of stock) at par to shareholders. The preferential terms of the issue—the shares are effectively offered on a yield basis of 10 per cent—may not altogether compensate shareholders for the five years of an unchanged dividend.



LONDON STOCK EXCHANGE

Next Account begins: September 22nd
Next Contango Day: September 22nd
Next Settlement Day: September 28th

THE stock market began the week uneasily, but prices were soon cheered up by the completion of the heavy settlement, the course of the railway wages negotiations and the firmness of prices on Wall Street. Gilt-edged prices were beginning to edge upwards on Monday and the advance broadened out on Tuesday when gains of up to ½ of a point were made by the undated and long dated issues. Dominion and Colonial loans shared in the advance, though most of the demand was again concentrated upon the high couponed issues. The rally in prices did not last long and later in the week prices did little more than to hold the earlier gains. Bank shares remained firm and Bank of Scotland rose 2s. 6d. to 68s. on the higher interim dividend; overseas banks, on the other hand, were dull and Hongkong and Shanghai fell 2 points to 98 on Monday. The main feature of the foreign market was the buying of German Government and municipal loans; some of the buying was reported to be on Swiss account.

Store shares made the biggest losses in the dull industrial market on Monday but they then led the rally which followed later in the week. In these movements "Gussies" and United Drapery were prominent. Smaller gains were reported in almost every other sector of the market and the improvement in freight rates brought in buyers for shipping shares. J. Sears, on the news of the reorganisation, lost 4½d. to 17s. The new Vickers loan stock opened at 1¼ premium on the issue price of 98½, touched a premium of 2 and then fell back to 1½ premium.

A reasonable turnover in oil shares left prices little changed on balance. In a quiet market rubber shares tended to improve but movements in tea shares were rather irregular. Kaffir shares began the week on a dull note but a brisk rally was staged later which soon broadened out to include the older producers as well as the developing mines. A revival in Continental demand helped to lift the prices of Rhodesian copper shares.

FINANCIAL TIMES INDICES

1954	Security Indices: Ord.*	Security Indices: Fixed Int.†	Yields*: 2½% Cons.	Yields*: Ord.
			%	%
Sept. 8	171·4	116·53	3·67	4·65
„ 9	171·4	116·55	3·67	4·65
„ 10	171·5	116·52	3·67	4·65
„ 13	170·0	116·53	3·67	4·69
„ 14	171·0	116·69	3·67	4·66
„ 15	171·8	116·72	3·67	4·64
				Total bargains
1954, High	171·9 (Aug. 30)	116·72 (Aug. 15)	Sept. 8	15,039
„ Low	131·1 (Jan. 1)	111·78 (Jan. 5)	1954 „ 9	12,518
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 10	12,332
„ Low	113·9 (May 20)	105·68 (Jan. 5)	„ 13	14,741
			„ 14	13,229
			„ 15	12,686

* July 1, 1935 = 100. † 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Sept. 15 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Sept. 8, 1954	Price, Sept. 15, 1954	Net Yield, Sept. 15, 1954 §	Gross Yield, Sept. 15, 1954
					£ s. d.	£ s. d.
100¼	99⅞	Exchequer 2½% 1955	100⅛	100⅛	0 7 11	1 12 4
105⅛	101⅛	Exchequer 3% 1960	104⅛	104⅛	0 14 9	2 1 3
104⅛	99⅛	Exchequer 3% '62-63	104⅛	104⅛	1 3 4	2 10 7
100⅛	99⅛	Serial Funding 1½% 1954	100 0 4	100 0 3	...	1 12 1
100¼	99⅛	S. Rdg. 1½% 1954 Ass. Exc.	100⅛	100⅛	1 7 3	2 10 3
101⅛	99⅛	Serial Funding 2½% 1957	101⅛	101⅛	0 13 3	1 15 6
101⅛	100⅛	Serial Funding 3% 1955	101⅛	101⅛	...	1 14 7
101⅛	100	War Bonds 2½% '54-56	100⅛	100⅛	0 16 10	2 0 2
101⅛	100⅛	Funding 2½% '52-57	100⅛	100⅛	1 3 11	2 10 11
102⅛	101	War Loan 3% '55-59	101⅛	101⅛	1 7 8	2 14 0
100⅛	95⅛	Savings Bonds 3% '55-65	99⅛	99⅛	1 13 5	3 0 8
101⅛	97⅛	Funding 2½% '56-61	100⅛	100⅛	1 6 5	2 8 7
98⅛	92⅛	Funding 3% '59-69	96⅛	96⅛	1 17 10	3 5 2
98⅛	93⅛	Funding 3% '66-68	98⅛	98⅛	1 15 11	3 3 6
97⅛	97⅛	Funding 3½% 1999-2004	97⅛	97⅛	2 0 2	3 12 6
105⅛	100⅛	Funding 4% '60-90	104⅛	104⅛	1 9 5	3 7 3
96⅛	90⅛	Savings Bonds 3% '60-70	95⅛	96⅛	1 18 11	3 6 8
95⅛	90⅛	Savings Bonds 2½% '64-67	95⅛	95⅛	1 16 8	3 0 8
105⅛	101⅛	Victory 4% '20-76	104	104⅛	1 16 2	3 11 3
95⅛	87⅛	Savings Bonds 3% '65-75	94⅛	94⅛	1 19 1	3 7 1
98⅛	93⅛	Consols 4% aft. Feb. '57	98⅛	98⅛	2 4 9	4 1 7
93	84⅛	Conv. 3½% aft. April '61	90⅛	90⅛	2 2 6	3 17 2
102⅛	99⅛	Conv. 3½% 1969	101⅛	101⅛	1 16 5	3 7 9
100⅛	99⅛	Conv. 2½% 1958-59	100⅛	100⅛	0 19 11	3 1 8
69⅛	63⅛	Treas. 2½% aft. April '75	67⅛	68	2 0 5	3 13 5
82⅛	74⅛	Treas. 3% aft. April '66	80⅛	80⅛	2 0 10	3 14 2
101⅛	92⅛	Treas. 3½% '77-80	100⅛	100⅛	1 18 5	3 10 1
100⅛	92⅛	Treas. 3½% '79-81	100⅛	100⅛	1 18 5	3 10 1
91⅛	83	Redemption 3% '86-96	90	90⅛	1 19 9	3 8 7
92	84⅛	War Ln 3½% aft. Dec. '52	90⅛	90⅛	2 2 10	3 18 4
69⅛	63⅛	Consols 2½%	68⅛	68⅛	2 0 4	3 13 3
96⅛	88⅛	Br. Elec. 3% '68-73	95⅛	95⅛	1 19 2	3 6 10
95⅛	87⅛	Br. Elec. 3% '74-77	94⅛	94⅛	1 18 11	3 6 10
111⅛	103⅛	Br. Elec. 4½% '74-79	109	109⅛	1 15 11	3 12 1
101⅛	93⅛	Br. Elec. 3½% '76-79	101⅛	101⅛	1 18 0	3 10 0
100⅛	100⅛	Br. Elec. 3½% '76-79 'A'	100⅛	100⅛	1 17 11	3 9 3
91⅛	83⅛	Br. Trans. 3% '78-88	90⅛	90⅛	2 0 10	3 9 11
96⅛	88⅛	Br. Trans. 3% '68-73	95⅛	95⅛	1 19 2	3 6 10
107⅛	100⅛	Br. Trans. 4% '72-77	106⅛	106⅛	1 16 4	3 11 8
91⅛	84⅛	Br. Gas 3% '90-95	90⅛	91⅛	1 19 4	3 8 7
102⅛	96⅛	Br. Gas 3½% '69-71	101⅛	101⅛	1 16 10	3 8 2
106⅛	99⅛	Br. Gas 4% '69-72	106⅛	106⅛	1 14 4	3 9 4

(*a*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953 High	Low	TRUSTEE STOCKS AND FOREIGN BONDS	Prices, 1954 Jan. 1-Sept. 15 High	Low	Price, Sept. 8, 1954	Price, Sept. 15, 1954	Yield, Sept. 15, 1954
							£ s. d.
92	84⅛	Aust. 3½% '65-69	97⅛	90⅛	96⅛	96⅛	3 11 0
...	...	Ceylon 4½% '73-75	100	97	99	99⅛	4 0 9
98⅛	98⅛	N. Zealand 4½% '76-78	106⅛	98⅛	106	106	3 12 3
73⅛	66⅛	L.C.C. 3% aft. 1920	79⅛	71⅛	79⅛	79⅛	3 15 6
95⅛	90⅛	Liverpool 3½% '54-64	99⅛	95	99	99	3 2 4
81⅛	73⅛	M.Wtr. 'B' 3½% '34-2003	87⅛	80⅛	85⅛	85⅛	3 12 8
104⅛	101⅛	Agric. Mort. 5½% '59-89	104⅛	101⅛	103⅛	103⅛	4 0 6
...	...	German 7½%	95⅛	71⅛	79	85	...
...	...	German 5½%	142	102	118⅛	124⅛	...
139⅛	119	Japan 5% 1907	155⅛	132⅛	147	148⅛	...
176	136	Japan 5½% Conv. 1930	186⅛	167	171	170	...

Prices, 1954 Jan. 1 to Sept. 15 High	Low	Last Two Dividends (*a*) (*b*) (*c*)		ORDINARY STOCKS	Price, Sept. 8, 1954	Price, Sept. 15, 1954	Yield, Sept. 15, 1954
		%	%				£ s. d.
				BANKS & DISCOUNT			
50/3	42/3	16	5 *a*	Barclays £1	48/-	47/-	4 5 0
65/6	58/9	14	7 *a*	Lloyds 'A' £5, £1 pd.	64/-	63/6	4 8 2
84/6	74/9	8	8 *a*	Midland £1, fully pd.	83/-	83/-	3 17 1
83/9	72/7½	8½	8½ *a*	N. Prov. 'B' £5, £1 pd.	80/6	79/-	4 6 1
92/6	79/6	18	10 *a*	Westminster £4, £1 pd.	92/-	92/-	3 18 3
128/1¼	92/-	17½	7½ *a*	Alexanders £2, £1 pd.	117/6	115/-	4 7 0
49/6	40/10½	5	5 *a*	Nat. Disc. 'B' £1	49/-	49/-	3 1 3
56/9	44/6	5	5 *a*	Union Disc. £1	53/6	55/-	3 12 9
46/-	37/6	4	4 *a*	Barc. (D.C. & O.) 'A' £1	44/6	44/6	3 11 11
45/7½	40/3	7	7½ *a*	Chart. Bk. of India £1	45/-	44/-	6 11 10
				INSURANCE			
16⅛	9⅛	50	85 *b*	Leg. & Gen. £1, 5/- pd.	15	15	2 5 6
24⅛	20⅛	40†*b*	20†*a*	Pearl £1, fully pd.	22*	22½*	4 18 0
45⅛	35⅛	105†*c*	112½†*c*	Prudential 'A' £1	43⅛	44⅛	4 12 5
				BREWERIES, ETC.			
132/-	125/-	33	33 *b*	10 *a* Bass £1	132/-	130/7½	6 11 8
23/3	17/4½	7½	17½ *b*	Distillers 4/-	22/6	22/3	4 9 11
38/-	31/-	11	8 *a*	Guinness 10/-	37/6	37/6	5 1 4
84/3	60/-	8	15†*b*	Whitbread 'A' Ord. £1	78/9	78/9	5 6 8

Prices, 1954 Jan. 1 to Sept. 15 High	Low	Last Two Dividends (*a*) (*b*) (*c*)		ORDINARY STOCKS	Price, Sept. 8, 1954	Price, Sept. 15, 1954	Yield, Sept. 15, 1954
		%	%				£ s. d.
				STEEL & ENGINEERING			
12½	10	15	*c*	B.S.A. £1	67/6	67/6	4 8 11
h15	3½	*a*		Cammell Laird 5/-	10/6	10/9	6 17 8
5	10	*b*		Guest Keen N'fold £1	64/4½	63/-	4 15 3
...	...			Stewarts & Lloyds £1	38/-	38/-	...
4	4	*a*		United Steel £1	25/-	25/3	7 2 7*e*
12½	12	*b*		Vickers £1	39/-	40/6	3 14 1*e*
				TEXTILES			
11	8	*b*		Bradford Dyers £1	26/-	26/-	7 13 10*m*
12	8	*b*		Brit. Celanese 10/-	27/-	27/-	6 13 4
10	5	*b*		Coats (J. & P.) £1	26/6	27/3	5 10 1*e*
4½	2½	*b*		Courtaulds £1	32/-	31/9	5 0 9*h*
10	4	*a*		Lancs. Cotton £1	27/6	27/3	5 10 1*e*
15	5	*b*		Patons & Baldwins £1	31/6	32/6	6 3 1*m*
				ELECTRICAL			
4	4	*a*		Assoc. Elect. £1	60/7½	58/9	3 18 4
(*i*) 7½	6	*b*		B.I.C.C. £1	47/6	47/6	4 4 3
4	4	*a*		English Elect. £1	55/7½	58/9	3 12 4
3½	8½	*b*		General Elect. £1	51/10½	51/3	4 17 7
				MOTOR & AIRCRAFT			
6½	5	*a*		Bristol Aeroplane 10/-	25/4½	24/10½	4 0 5
6	4	*a*		British Motor 5/-	11/10½	11/10½	4 8 10
7½	7	*c*		De Havilland £1	27/9	27/3	5 10 1
7	12	*c*		Ford Motor £1	72/-	70/3	3 8 4
9	6	*a*		Hawker Siddeley £1	48/3	47/3	3 3 6*e*
25	25	*c*		Leyland Motors £1	97/6	97/6	5 2 7
12½	12	*b*		Rolls Royce £1	80/-	78/9	2 19 3*f*
12	12	*c*		Standard Motor 5/-	8/6	8/6	7 1 2
				SHOPS & STORES			
5	5	*a*		Boots Pure Drug 5/-	27/-*	26/3*	4 5 9
7½	7	*a*		Debenhams 10/-	48/6	46/3	4 6 6*m*
45	45	*b*		Gt. Universal 5/-	113/6	114/6	2 12 5
17½	17	*b*		Lyons (J.) 'A' £1	107/6	107/6	4 3 9
20	20	*a*		Marks & Spen. 'A' 5/-	62/-	61/-	2 13 3*r*
84/1½	64/-	40	*b*	Woolworth 5/-	82/6	83/6	3 12 9
				OIL			
5	37½	*b*		Anglo-Iranian £1	15⅛	15⅛	2 14 10
15	*b*			Burmah £1	96/3	92/6	3 15 8
12	8			Royal Dutch 100 fl.	£41	£41	3 1 2*s*
8½	7½	*a*		Shell Reg. £1	98/9	98/4½	4 12 6*s*
5	3	*b*		Canadian Pacific $25	$47	$47½	5 15 10
14	35	*c*		Decca Record 4/-	43/3	43/6	4 0 5*g*
14	11	*c*		Dunlop Rubber 10/-	27/-	27/-	5 3 9
9	6	*a*		Imp. Chemical £1	39/6	39/-	3 16 11*p*
8½	7	*a*		Imp. Tobacco £1	57/6	57/6	6 19 2
$2·60	$2·35	*c*		Inter. Nickel n.p.v.	$86½	$86½	4 17 0
9	6	*b*		London Brick £1	62/6	62/6	4 9 7*m*
6	8	*a*		Monsanto Chemical 5/-	25/3	28/3	3 10 10
3	3	*a*		Tate & Lyle £1	80/-	80/-	4 0 0
7	7	*a*		Tube Investments £1	72/3	75/-	4 0 0
5	4	*a*		Turner & Newall £1	88/-	86/6	4 0 11
9	8	*a*		Unilever £1	85/6	83/6	3 15 5
7	6	*b*		United Molasses 10/-	34/6	33/6	6 11 4*q*
Nil	10	*c*		Cons. Tea & Lands £1	49/-	48/-	7 11 5
10	10	*c*		London Asiatic Rbr. 2/-	1/10½	2/-	10 0 0
5	15	*b*		United Sua Betong £1	34/6	37/-	7 4 0*d*
				MINES			
20	40	*b*		Anglo-Amer. 10/-	8⅝	8⅛	3 10 2
80	120	*b*		De Beers 5/- Bearer	123/1½	125/-	8 0 0
...	...			Free State Geduld 5/-	121/3	123/9	Nil
10	10	*c*		Randfontein £1	65/7½	69/4½	2 19 3
22	24	*c*		London Tin 4/-	6/2½	6/2½	15 10 0
175	50	*a*		Rhokana £1	27½	28½	8 0 0

New York Closing Prices

	Sept. 8	Sept. 15		Sept. 8	Sept. 15		Sept. 8	Sept. 15
	$	$		$	$		$	$
Balt. & Ohio	26	26⅛	Am. Smelting	36⅛	39	Inter. Paper	74⅛	78⅛
Can. Pac.	25⅛	27	Am. Viscose	36⅛	36⅛	Nat. Distill.	20⅛	20⅛
N.Y. Cent.	20⅛	20⅛	Del. of Amer.	19⅛	20⅛	Sears Roebuck	68⅛	70⅛
Pennsyl.	16⅛	17⅛	Chrysler	65⅛	64	Shell	51⅛	51⅛
Amer. Tel.	172	169½	Gen. Elec.	43⅛	43⅛	Std. Oil of N.J.	94	96⅛
Stand. Gas.	14⅛	14⅛	Gen. Motor	80⅛	83⅛	U.S. Steel	53⅛	55⅛
United Corp.	5⅛	5⅛	Goodyear	73⅛	78⅛	Westinghouse	68	69⅛
W. Union Tel.	52⅛	55⅛	Inter. Nickel	48⅛	48⅛	Woolworth	43⅛	44

† Free of tax. Yield calculated on gross basis. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Whole year's dividend. (*d*) Yield basis 21%. (*e*) To earliest date. (*f*) Flat yield. (*g*) Yield basis 43½%. (*h*) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 14·8%. (*i*) Yield basis 13½% after capital bonus. (*j*) Yield basis 11⅞%. (*k*) Yield basis 8%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution. (*q*) Yield basis 22% gross. (*r*) Yield basis 32⅛%. (*s*) Yield basis 22·7% gross. (*t*) Also 2½%, not subject to tax, from capital profits. Yield basis 10%. (*u*) Yield basis 12%. (*v*) Yield basis 7½%. (*w*) Yield basis 20%. (*x*) Yield basis 18·18% gross. (*y*) Yield basis 11%, after capital bonus. * Ex dividend.

Statistics

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

British		Overseas	
Prices and Wages	Sept. 4th	Western Europe:	
Production and Consumption	Sept. 11th	Production and Trade	Sept. 4th
Manpower	This week	British Commonwealth	Sept. 11th
External Trade	Aug. 28th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	July 17th	United States	Aug. 28th
		World Trade	July 17th

Manpower in Great Britain

	Unit	Monthly averages			1953			1954			
		1951	1952	1953	June	July	Aug.	May	June	July	Aug.
TOTAL MANPOWER (1)											
Working population:											
Total	'000s	23,228	23,294	23,373	23,373	23,400	23,522	23,518	23,528	23,578	...
Men	"	15,791	15,864	15,883	15,883	15,885	15,939	15,928	15,918	15,933	...
Women	"	7,437	7,430	7,490	7,490	7,515	7,583	7,590	7,610	7,645	...
Armed Forces	"	827	872	865	865	865	865	841	839	838	...
Civil employment:											
Total	"	22,214	22,119	22,238	22,238	22,262	22,369	22,430	22,465	22,515	...
Agriculture, forestry and fishing	"	1,139	1,112	1,087	1,087	1,097	1,112	1,064	1,069	1,079	...
Mining and quarrying	"	856	875	877	877	875	873	871	869	867	...
Building and contracting	"	1,449	1,435	1,437	1,437	1,430	1,441	1,425	1,422	1,422	...
Distributive trades	"	2,600	2,616	2,664	2,664	2,672	2,689	2,697	2,702	2,712	...
Public administration	"	1,350	1,336	1,320	1,320	1,319	1,318	1,312	1,312	1,310	...
Manufacturing industries	"	8,736	8,626	8,746	8,746	8,755	8,823	8,909	9,009	9,028	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1950:											
Employees in engineering (2)	"	+ 103	+ 212	+ 213	+ 213	+ 209	+ 236	+ 337	+ 343	...	...
" " consumer goods industries (3)	"	+ 74	− 126	− 8	− 8	+ 3	+ 32	+ 65	+ 67	...	...
UNEMPLOYMENT											
By duration:											
All durations—total	"	252·9	414·2	342·0	297·7	272·7	293·5	289·4	239·5	220·1	239·6
" " —men	"	161·5	227·8	218·2	193·5	179·7	190·9	183·7	156·0	143·6	156·6
" " —women	"	91·4	186·4	123·8	104·2	93·0	102·6	104·7	83·5	76·5	83·0
Temporary or under 2 weeks—men	"	49·8	87·8	68·8	59·9	56·4	58·0	55·3	47·4	44·0	50·3
" " " —women	"	37·7	94·7	44·0	35·6	32·9	39·2	36·3	27·6	28·2	33·7
Over 8 weeks—men	"	73·2	85·9	96·7	90·7	87·2	86·3	91·8	74·2	70·2	68·8
" " —women	"	27·9	50·2	46·3	42·8	38·7	34·9	42·9	34·3	31·2	27·2
By industry (4):											
Textiles	%	0·8	8·6	1·4	1·2	1·0	1·0	1·0	0·9	0·9	0·8
Clothing	"	1·7	2·9	1·3	1·5	1·3	1·2	1·2	1·4	1·3	1·2
Vehicles	"	0·5	0·7	0·8	0·7	0·6	0·6	0·5	0·4	0·4	0·4
Engineering, etc.	"	1·0	1·4	1·4	1·4	1·2	1·2	1·2	1·0	0·9	0·9
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	1·3	1·2	1·2	1·3	1·1	1·0	1·0
By regions (5):											
Great Britain	"	1·2	2·0	1·6	1·4	1·3	1·4	1·4	1·1	1·0	1·1
London and South Eastern	"	0·9	1·3	1·2	1·0	0·9	1·0	1·0	0·8	0·7	0·7
Eastern	"	0·9	1·3	1·3	0·9	0·8	0·9	1·2	0·9	0·8	0·9
Southern	"	1·1	1·4	1·4	1·1	0·9	1·1	1·1	0·8	0·8	0·8
South Western	"	1·2	1·5	1·6	1·3	1·2	1·3	1·5	1·1	0·9	1·1
Midland	"	0·4	0·9	1·1	1·0	0·9	0·9	0·6	0·5	0·5	0·6
North Midland	"	0·5	1·0	0·7	0·6	0·5	0·6	0·6	0·5	0·5	0·5
East and West Ridings	"	0·9	1·9	1·2	1·1	1·0	1·1	1·0	0·8	0·7	0·8
North Western	"	1·2	3·6	2·1	1·8	1·7	1·8	1·5	1·3	1·2	1·4
Northern	"	2·2	2·6	2·4	2·1	1·9	2·2	2·3	2·0	1·8	2·0
Wales	"	2·7	2·9	3·0	2·8	2·5	2·8	2·5	2·1	2·1	2·1
Scotland	"	2·5	3·3	3·1	2·7	2·6	2·7	2·9	2·4	2·3	2·4
VACANCIES											
Unfilled vacancies notified to Employment Exchanges:											
Total	'000s	313	230	270	296	321	295	331	353	383	...
Men	"	208	131	147	157	172	161	180	189	208	...
Women	"	105	99	123	139	149	134	151	164	175	...
DISPUTES (6)											
Workers involved	"	32	35	114	21	14	19	27	19	14	...
Working days lost:											
Total	"	141	149	182	60	32	54	111	69	78	...
Mining and quarrying	"	29	55	33	31	12	29	40	29	9	...
Engineering, etc.	"	43	66	127	23	7	10	20	19	47	...
Other industries and services	"	69	28	22	6	13	15	51	21	22	...

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding and electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) United Kingdom. (6) Number registered

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	51	0·4	43	2	36	65	52	21
1952	253	114	143	163	114	149	129	97	140	152	148	104
1953	239	107	134	155	111	173	129	96	134	152	139	107
1954, March	241	105	133	153	109	192	126	98	135	154	138	117
" April	242	105	134	154	109	193	126	97	136	154	139	118
" May	244	105	135	156	109	192	126	97	137	155	138	119
" June	246	106	135	151	109	192	126	97	137	155	139	118
" July	260	105	135	150	...	191	...	...	...	157	139	...
COST OF LIVING (1) (1948 = 100)												
1938	31	27	60	6	64	0·4	55	2	49	63	61	29
1952	211	106	123	145	110	146	119	114	129	133	129	109
1953	210	106	123	144	108	160	126	117	129	136	130	112
1954, March	211	107	...	144	108	181	...	118	135	139	131	119
" April	212	107	124	142	108	183	...	118	136	139	132	125
" May	213	108	...	144	108	184	125	120	137	141	132	127
" June	216	108	...	144	108	184	...	...	138	141	132	128
" July	217	107	...	142	...	185	...	...	...	145	...	...
IMPORT PRICES (1) (1948 = 100)												
1938	...	27	40	7	39	...	39	2	24	32	45	21
1952	250	116	131	182	121	...	129	108	131	132	152	91
1953	270	110	118	164	106	...	121	99	116	125	140	89
1954, February	273	106	...	163	100	...	124	99	114	123	139	97
" March	270	107	...		100	...	124	98	111	124		90
" April	264	108	...		100	...	122	98	111	118		91
" May	272	...	...	163	101	...	123	...	110	122	139	99
" June	259	...	...		102	...	125	...	...	...		100
EXPORT PRICES (1) (1948 = 100)												
1938	...	25	40	6	61	...	37	2	25	32	42	24
1952	263	120	115	158	131	...	126	103	117	137	153	122
1953	239	101	109	148	123	...	127	99	104	119	134	110
1954, February	225	94	...	142	121	...	127	102	101	117	133	111
" March	232	95	...		119	...	126	104	99	121		109
" April	241	92	...		120	...	126	102	101	123		105
" May	232	91	...	141	118	...	127	...	100	118	132	104
" June	242	...	...		119	...	127	...	99	...		110

End of period	Austria '000 mn. schillings	Belgium '000 mn. francs	Denmark mn. kroner	France '000 mn. francs	Germany, F.R. '000 mn. D. marks	Greece '000 mn. drachmas	Ireland mn. £	Italy '000 mn. lire	Netherlands mn. guilders	Norway '000 mn. kroner	Sweden mn. kroner	Turkey mn. £T.
CURRENCY IN CIRCULATION (1)												
1938	...	23·6	425	112	...	...	18·2	19	1,048	455	1·04	213
1952	8·79	102·1	1,879	2,124	10·22	2,476	69·9	1,343	3,171	2,787	4·62	1,280
1953	10·25	105·9	2,032	2,310	11·98	3,503	74·3	1,424	3,394	2,998	4·89	1,461
1954, March	10·12	102·9	1,888	2,327	11·79	3,151	71·4	1,322	3,365	2,853	4·52	1,458
" April	10·34	104·1	1,903	2,338	12·04	3,443	72·1	1,319	3,434	2,869	4·65	1,479
" May	10·36	103·8	1,876	2,324	11·89	3·27	71·6	1,337	3,397	2,843	...	1,499
" June	10·65	...	1,913	2,374	11·94	3·27	70·9	1,330	3,418	2,957	...	1,480
" July	...	...	...	...	...	...	70·7	...	...	...	...	1,497
GOLD AND FOREIGN EXCHANGE HOLDINGS (1) (mn. US dollars)												
1938	...	780	76·7	2,791	...	26·8	59	201	1,003	128·3	612	34
1952	...	1,077	142·1	988	1,165	9·9	220	918	929	148·3	379	190
1953	...	1,090	166·8	956	1,984	10·5	234	952	1,161	138·4	425	212
1954, March	...	1,093	177·2	1,053	2,214	10·6	232	968	1,171	132·6	386	213
" April	...	1,082	177·6	1,104	2,271	10·6	234	...	1,172	134·2	394	216
" May	...	1,071	175·2	1,167	2,302	10·6	233	...	1,271	142·8	393	224
" June	...	1,050	169·7	1,118	2,359	10·7	229	...	1,298	148·6	389	229
" July	...	1,049	159·3	...	...	10·7	234	...	1,289	139·7	360	224

(1) Relates only to prices in capital cities for Austria, France, Greece and Turkey. Cost of living in Paris based on 1949=100, and wholesale prices in Western Germany on July-December, 1948=100. (2) Index numbers of unit value which compare the current average value of trade with its value in 1948; they are influenced by changes in the composition of trade as well as price movements. Index numbers for Germany based on 1950. (3) Notes only for France and Austria. (4) Holdings of the government and central bank at end of period; figures for Greece are gold reserves only. (5) Average for first quarter. (6) Beginning May, 1954, a new drachma equal to 1,000 old drachmas was introduced.

Financial Statistics

EXCHEQUER RETURNS

For the week ended September 11th there was an "above-line" deficit (after allowing for Sinking Funds) of £23,555,000 compared with a deficit of £20,910,000 in the previous week and a deficit of £20,206,000 in the corresponding period of last year. This raised the cumulative deficit to £153,233,000 (£227,768,000 in 1953-54). There was a net receipt "below-line" of £1,023,000, bringing the total cumulative deficit to £321,478,000 (£439,050,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Sept. 12, 1953	April 1, 1954 to Sept. 11, 1954	Week ended Sept. 12, 1953	Week ended Sept. 11, 1954
Ord. Revenue					
Income Tax	1800,000	427,792	430,467	8,699	9,515
Sur-tax	132,000	30,700	29,400	1,000	800
Death Duties	164,375	74,600	83,200	2,900	3,600
Stamps	55,000	23,900	30,900	800	1,500
Profits Tax & EPT	172,000	93,500	73,000	5,000	1,800
Excess Profits Levy	60,000	29,550	40,800	1,600	1,900
Special Contribution and other Inland Revenue	1,000	430	630	...	...
Total Inland Rev.	2384,375	680,472	688,397	19,999	19,135
Customs	1062,500	416,627	495,652	21,298	21,475
Excise	719,000	327,573	340,505	4,130	4,590
Total Customs and Excise	1781,500	804,200	836,157	25,428	26,065
Motor Duties	77,000	13,345	14,761	202	223
PO (Net Receipts)	...	2,500	8,700	700	550
Broadcast Licences	21,000	4,750	5,750	...	...
Sundry Loans	24,000	19,284	19,652	50	10,494
Miscellaneous	245,000	51,757	61,719	162	662
Total	4532,875	1676,308	1635,138	46,841	87,129
Ord. Expenditure					
Debt Interest	570,000	266,700	261,174	4,548	3,938
Payments to N. Ire.					
Land Exchequer	51,030	20,848	20,625	...	1,747
Other Cons. Fund	10,000	4,814	4,195	416	
Supply Services	5855,599	1435,432	1485,323	61,100	74,500
Total	4486,399	1787,853	1771,317	66,064	80,185
Sinking Funds	36,000	16,223	17,052	683	499
"Above-line" Surplus or Deficit	—	227,768	153,233	20,206	23,555
"Below-line" Net Expenditure		211,282	171,245	9,695	Cr1023
Total Surplus or Deficit	—	439,050	324,478	29,901	22,532
Net Receipts from:					
Tax Reserve Certificates	109,717	179,805	5,959	1,775	
Savings Certificates	10,600	5,900	800	720	
Defence Bonds	−26,507	− 7,752	−1773	− 66	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
Sept. 12	3,400·0	1,395·8	251·7	...	5,047·5
1954					
June 12	3,320·0	1,332·8	274·6	...	4,927·3
" 19	3,300·0	1,372·1	296·1	...	4,968·2
" 30	4,700·0		268·6	3·3	4,971·8
July 10	3,280·0	1,432·5	260·2	...	4,972·7
" 17	3,260·0	1,411·6	267·2	...	5,038·8
" 24	3,270·0	1,492·2	281·6	...	5,043·9
" 31	3,270·0	1,485·5	263·1	...	5,018·7
Aug. 7	3,280·0	1,447·7	285·3	...	5,013·0
" 14	3,280·0	1,451·3	272·3	...	5,003·6
" 21	3,270·0	1,495·5	279·0	...	5,044·5
" 28	3,260·0	1,547·0	267·3	...	5,074·3
Sept. 4	3,250·0	1,595·8	280·4	...	5,126·2
" 11	3,270·0	1,611·3	270·5	...	5,151·7

THE MONEY MARKET

AFTER a week of tight credit conditions in Lombard Street the market lowered its bid by 2d. to £99 11s. 9d. per cent for the £270 million of bills on offer at last Friday's Treasury bill tender. Buying rates for commercial bills were later raised correspondingly, by ⅛ per cent. The average rate of discount on all bills allotted rose by 6¼d. to £1 12s. 10.75d. per cent. Applications fell fractionally to £397.8 million, but the market's allotment declined from 62 to 55 per cent.

Credit supplies were plentiful in the first half of the week covered by the Bank return but after the weekend they became uncomfortably tight. On Monday and Tuesday borrowing at the Bank was avoided only by sales of November and December maturities to the banks at 1½ per cent, ½ per cent above the prevailing rate, despite small special aid by the authorities, given indirectly through banks. And on Wednesday many houses were in fact forced to take seven-day loans from the Bank at 3 per cent, although the special buyer was again moderately active.

Turnover in the gold market was small at first, and the price dropped to 249s. 11½d. at Monday's fixing. But the fall in sterling in the middle of the week, carried the price up to 250s. 8d. at Thursday's fixing.

The bank return shows a renewed reflux of notes of £5.1 million. Discounts and advances are up sharply from £7.1 million to £14.7 million, reflecting Wednesday's borrowing at the Bank.

LONDON MONEY RATES

	%		
Bank rate (from 31/5/54)	3	**Discount rates**	
		Bank bills: 60 days	1⅛
Deposit rates (max)		3 month	1⅛
Banks	1½	4 month	1⅛–1⅜
Discount houses	1½	6 month	1⅛–1⅜
Money—Day to day	1½–1⅝	Fine trade bills:	
Short periods	1½–1⅝	3 months	2⅛–3
Treas. bills 2 months	1⅝	4 months	2⅛–3⅛
3 months	1⅝	6 months	3 –4

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	Sept. 16	Sept. 8	Sept. 15
Issue Department:			
Notes in circulation	1,538·0	1,647·7	1,642·6
Notes in banking dept.	37·3	27·6	32·7
Govt. debt and securities*	1,571·7	1,671·2	1,671·2
Other securities	0·8	0·8	0·8
Gold coin and bullion	2·9	3·4	3·4
Banking Department:			
Deposits:			
Public accounts	11·2	16·2	17·6
Treasury special account	19·9	3·6	3·8
Bankers	285·5	265·5	280·4
Others	67·8	66·3	66·0
Total	384·4	351·6	367·6
Securities:			
Government	341·8	318·4	321·6
Discounts and advances	7·5	7·1	14·7
Other	13·7	14·7	14·8
Total	363·0	340·2	351·1
Banking department reserve	39·9	29·9	35·0
"Proportion"	10·3	8·5	9·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,700 million to £1,675 million on September 1, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment: £ s. d.	Allotted at Max. Rate: %
1953					
Sept. 11	300·0	388·0	300·0	97 11·85	68
1954					
June 11	260·0	418·3	250·0	32 3·66	57
" 18	260·0	400·4	250·0	31 7·57	66
" 25	260·0	426·0	260·0	32 1·48	58
July 2	270·0	384·0	270·0	32 3·41	60
" 9	270·0	396·5	250·0	31 3·90	65
" 16	240·0	433·1	240·0	31 2·27	54
" 23	230·0	423·1	230·0	31 2·52	54
" 30	240·0	414·3	240·0	31 2·80	59
Aug. 6	240·0	397·6	240·0	31 3·09	46
" 13	250·0	387·5	250·0	31 10·56	50
" 20	260·0	398·2	260·0	32 2·66	50
" 27	260·0	422·7	260·0	32 3·19	47
Sept. 3	270·0	394·6	270·0	32 4·02	62
" 10	270·0	397·8	270·0	32 10·75	55

* On Sept. 10th tenders for 91 day bills at £99 11s. 9d. secured about 65 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £280 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: Sept. 15	Market Rates: Spot: Sept. 9	Sept. 10	Sept. 11	Sept. 13	Sept. 14	Sept. 15
United States $	2·78-2·82	2·80⅛-2·80⅝	2·80⅛-2·80⅝	2·80⅛-2·80⅝	2·80⅛-2·80⅝	2·80⅛-2·80⅝	2·80⅛-2·80⅝
Canadian $	...	2·71⅞-2·71⅝	2·72-2·72⅛	2·72-2·72⅛	2·72⅛-2·72⅜	2·72-2·72⅛	2·71⅞-2·71⅞
French Fr.	972·65-987·35	977⅛-978⅛	977⅛-978⅛	977⅛-978⅛	977⅛-977⅝	978⅛-978⅝	978⅛-978⅝
Swiss Fr.	12·15⅜-12·33⅝	12·20-12·20⅛	12·20-12·20⅛	12·20-12·20⅛	12·19⅝-12·20⅛	12·20-12·20⅛	12·20⅛-12·20⅛
Belgian Fr.	138·95-141·05	139·95-140·00	139·95-140·00	139·95-140·00	139·95-140·00	139·97½-140·02½	139·97½-140·02½
Dutch Gld.	10·56-10·72	10·61⅛-10·61⅝	10·61⅛-10·61⅝	10·61⅛-10·61⅝	10·61⅛-10·61⅝	10·61⅛-10·61⅝	19·61⅛-19·62
W. Ger. D.Mk.	11·67⅜-11·84⅛	11·72⅛-11·72⅝	11·72⅛-11·72⅝	11·72⅛-11·72⅝	11·72⅛-11·72⅝	11·73⅛-11·73⅝	11·73⅛-11·74
Portuguese Esc.	79·90-81·10	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05
Swedish Kr.	14·37⅛-14·50⅜	14·48⅛-14·48⅝	14·48⅛-14·48⅝	14·47⅛-14·48	14·47⅛-14·47⅝	14·47⅛-14·48	14·47⅛-14·48⅛
Danish Kr.	19·19⅛-19·48⅛	19·41⅛-19·41⅝	19·41⅛-19·41⅝	19·41⅛-19·41⅝	19·41⅛-19·41⅝	19·41⅛-19·42	19·42-19·42⅛
Norwegian Kr.	19·85-20·15	20·01⅛-20·02	20·01⅛-20·02	20·01⅛-20·02	20·01⅛-20·02	20·01⅛-20·02	20·01⅛-20·02
One Month Forward Rates							
United States $		⅛c pm-⅛c dis	⅛c pm-⅛c dis	⅛c pm-⅛c dis	⅛c pm-⅛c dis	⅛c pm-⅛c dis	⅛c pm-⅛c dis
Canadian $		Par-1c dis	Par-1c dis	Par-1c dis	Par-1c dis	Par-1c dis	Par-1c dis
French Fr.		3·6 dis	4·7 dis	4·7 dis	4·7 dis	3·6 dis	3·6 dis
Swiss Fr.		1c pm-par	1c pm-par	1c pm-par	1c pm-par	1c pm-par	1c pm-par
Belgian Fr.		Par-½ dis	Par-½ dis	Par-½ dis	Par-½ dis	Par-½ dis	Par-½ dis
Dutch Gld.		½c pm-par	½c pm-par	½c pm-par	½c pm-par	½c pm-par	½c pm-par
W. Ger. D.Mk.		½pf pm-½pf dis	½pf pm-½pf dis	½pf pm-½pf dis	½pf pm-½pf dis	½pf pm-½pf dis	½pf pm-½pf dis
Swedish Kr.		Par-10 dis	Par-10 dis	Par-10 dis	Par-10 dis	Par-10 dis	Par-10 dis
Danish Kr.		Par-30 dis	Par-30 dis	Par-30 dis	Par-30 dis	Par-30 dis	Par-30 dis
Norwegian Kr.		15 pm-10 dis	15 pm-10 dis	10 pm-15 dis	15 pm-10 dis	10 pm-15 dis	10 pm-15 dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/2	250/1	...	249/11½	249/11½	250/0½

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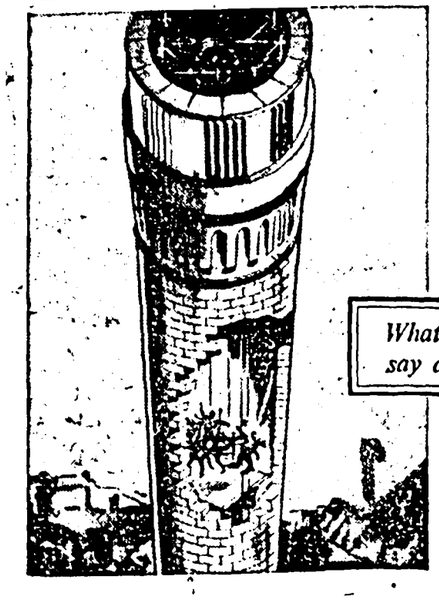
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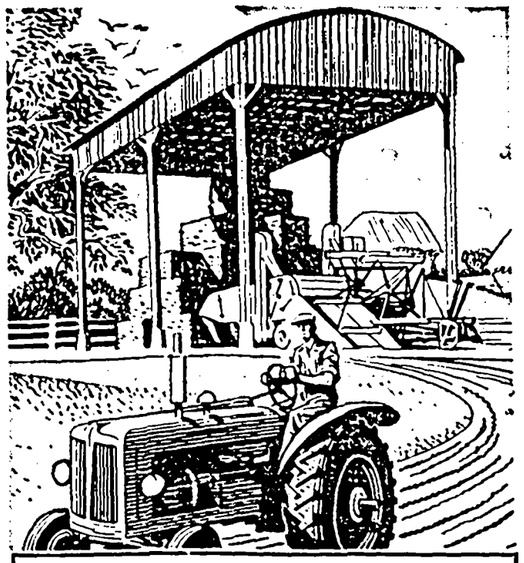
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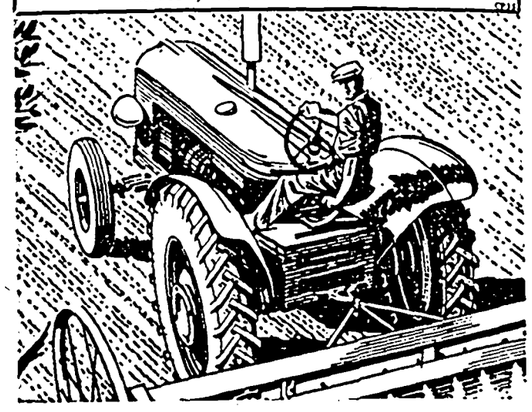


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COMPANY MEETINGS

BRITISH MATCH CORPORATION, LIMITED

RECOVERY IN TRADING PROFITS

PRODUCTION WELL MAINTAINED

LORD KINDERSLEY'S REVIEW

The twenty-seventh annual general meeting of the British Match Corporation, Limited, was held on September 15th at Haddon House, 66a Fenchurch Street, London, E.C. The Rt Hon Lord Kindersley, CBE, MC, chairman of the company, presiding.

The following is his statement circulated with the report and accounts for the year to March 31, 1954:

THE BOARD OF DIRECTORS

Stockholders will learn with regret of the death of Mr Arthur Hacking, OBE, on July 13, 1954. Mr Hacking had been a member of the board since the formation of the Corporation and retired, owing to ill health, from the chairmanship of the Corporation and of its principal subsidiary, Bryant and May, Limited, on January 1, 1953.

At the annual general meeting stockholders will be asked to confirm the appointment of Sir Anthony J. Elkins, who accepted an invitation to join the board in May, 1954. Sir Anthony has recently returned to this country from India, where he had a distinguished career, and he brings to the board a wide experience of commerce and industry.

ACCOUNTS

Last year I had to report a set-back in the net profits of the group, due to the heavy depreciation in the value of the Brazilian cruzeiro. This year the rate of exchange on the free market, through which dividends are remitted, has fallen still further to Cr.$164 to the £ at March 31, 1954, compared with Cr.$120 at March 31, 1953 and Cr.$52.416 (the official and at that time the only rate) at the end of March, 1952. This has resulted in a further reduction in the profits brought into the group from your Brazilian investment and, at the same time, has once again given rise to a substantial loss on exchange on conversion into sterling of the net current assets in Brazil.

There has, nevertheless, been some recovery in the trading profits of the Group, which totalled £2,316,656, compared with £2,136,324 for 1953, the increase of £180,332 being mainly attributable to our other interests outside the United Kingdom match industry.

PROFIT AND ALLOCATIONS

The net profit of the Group, after taxation and the elimination of amounts applicable to outside shareholders, was £584,801, compared with £543,283 for 1953. The directors recommend payment of a final dividend of 5¼ per cent and bonus of 1 per cent, less tax, on the ordinary stock, making a total of 9 per cent, less tax, for the year. These dividends will absorb £306,281 and, after taking into account the various appropriations and transfers to reserve which have been made, the carry forward will be increased by £65,352 to £1,445,985.

You will notice that in the consolidated profit and loss account the item previously described as "Special Donation to Brymay Pension Fund" has been renamed "Past Service Contributions to Pension Schemes," and that the amount has increased this year to £64,156. The change in designation and the increase in the amount are due to the inclusion of payments under a new pension scheme set up by an overseas subsidiary.

The reduction in the "Interest of Outside Shareholders" shown in the consolidated balance sheet reflects the redemption during the year of stock held by a minority interest in a Canadian subsidiary company. Your directors are satisfied that this redemption was in the best interests of the Group.

HOME TRADE

Production of matches was well maintained during the year. Home sales were slightly in excess of those for the previous year in each of the last three quarters of 1953 but competition from abroad has been increasing steadily. This has resulted in a reduction in sales during the first quarter of 1954 and subsequently.

United Kingdom consumption during the year was 17.4 million gross boxes, compared with 16.8 million in 1953 and 17.3 million in 1952.

OVERSEAS INVESTMENTS

Your overseas investments continue to be satisfactory.

REPORT OF THE MONOPOLIES COMMISSION

In my statement last year I explained that consultations were proceeding with the Board of Trade in connection with the Report of the Monopolies Commission on the Supply and Export of Matches and the Supply of Matchmaking Machinery, which was published on May 13, 1953.

These consultations and the negotiations which subsequently took place between the Corporation and the Swedish Match Company culminated in the conclusion of a new trading agreement between the two companies and the recommendations of the commission, which the Government accepted being implemented. The friendly spirit in which the Swedish Match Company approached our difficult problems is much appreciated.

During the five years since the industry was first referred to the commission, much time and effort of many of your chief executives has had to be diverted from constructive work in your company's business to dealing with the requirements of the Monopolies Commission. It has been a heavy and costly burden, both in time and money.

ALTERATION OF ARTICLES

The board have for some time had under consideration the question of the fees payable to the directors and, at the annual general meeting, stockholders will be invited to approve an alteration to the articles which would have the effect of increasing from £300 to £500 the annual fees payable to each director, and from £600 to £1,000 the fees payable to the chairman. The present rates were fixed in 1927 and, in view of the depreciation in the value of money which has since occurred, it is considered that they are no longer adequate.

At the same time it is proposed that the articles should be amended in order to allow the executive committee of directors to consist of a maximum of 8 (at present 6) members. This will allow all the executive directors to serve on the committee.

DIVIDENDS

Until 1947 our interim and final dividends were paid half-yearly, in November and May respectively. Since then, however, the necessity to publish consolidated accounts in accordance with the requirements of the Companies Act 1948, has given rise to unavoidable delay in holding the annual general meeting, with the result that the final dividend is not now paid until September, only two months before the customary interim dividend for the following year.

In order to spread the two payments more evenly over the year your directors propose that future interim dividends should be paid on or about December 15th, one month later than at present, and that if profits permit the rate should be slightly higher, with a corresponding reduction in the final dividend.

TRIBUTE TO EMPLOYEES

I cannot complete this statement without expressing our thanks to all employees in the Group, whatever their rank or position, for their loyal and conscientious services during the past year.

The report and accounts were unanimously adopted; the formal business was transacted; the appointment to the board of Sir Anthony J. Elkins, CBE, was confirmed and the proposed alterations to the Articles of Association were approved.

ALLIED INDUSTRIAL SERVICES LTD.

RECORD PRODUCTION

The twentieth annual general meeting of Allied Industrial Services Limited will be held on October 6th at Bradford.

The following is an extract from the circulated statement by the chairman, Mr W. H. Rhodes, CBE.

During the year the factories and plants of the group have operated at the highest production level yet recorded.

After making provision for depreciation, directors' remuneration and taxation on the year's profits, the net profit (including dividends, etc., received) amounts to £241,218 which, added to the balance of profit and loss account brought forward from the previous year (and taxation adjustments in respect of prior years) gives a total of £274,062 available for allocation.

Towards the close of the year the board, with your approval, capitalised reserves to the extent of £100,000. This makes the issued ordinary capital more comparable with the

amount of capital employed in your company. It is proposed that a final dividend of 19 per cent be paid on the present issued capital.

During the past year £66,700 was expended on buildings, plant and vehicles and at June 30th last our capital commitments amounted to £61,000. A year ago I stated that contracts were being entered into to provide small extensions to two of your factories: the first extension is now operating and the second should be completed by October. Plans are now being prepared for the board's consideration in anticipation of some further factory extensions being made in the not distant future.

In connection with prospects for this present year, our combined output for July and August is higher than in the corresponding months of 1953 and in the absence of a deterioration in general trading conditions I consider it reasonable to expect that our combined outputs can be maintained.

HICKING PENTECOST & CO. LIMITED

The eighth annual general meeting of Hicking Pentecost & Co. Limited was held on September 16th at Nottingham, Mr Leonard S. Pentecost, the chairman, presiding. The following are extracts from his circulated statement:

The net profit of the group shows a slight increase over the previous year. The greater part of these profits will be paid in taxation, which still forms a heavy burden on industry.

Your directors have decided to recommend a dividend of 17½ per cent, which shows an increase of 2½ per cent over last year, leaving an ample sum to be retained in the business.

In spite of the steady advance of wages and materials, these results have been achieved by keeping the whole of our plant, with all its recent additions, working at its fullest capacity.

We have been steadily occupied in our lace and net sections throughout the year.

Our fabric sections dealing with the new synthetic yarns have made steady progress and we are in a good position to cope with all developments. Our nylon hosiery section has also steadily increased.

The new department for the dyeing and finishing of women's fashioned woollen outerwear garments in non-shrink finish is developing and we have now a considerable capacity for this class of work. We are establishing a high reputation for this process.

Whilst our factories continue to be well employed, costs both in wages and materials are still advancing and, as it is our policy to restrict increase in prices as far as possible, profit margins tend to be lower.

The report was unanimously adopted.

INTERNATIONAL TEA COMPANY'S STORES

RECORD TURNOVER

The annual general meeting of the International Tea Company's Stores, Limited, will be held on October 5th in London.

The following is an extract from the annual review by the chairman, Mr Frank Wilson, circulated with the report and accounts:

I am pleased to have the privilege of placing before stockholders my report on the trading results of the group for the year ended May 1, 1954. In spite of the many difficulties we have fully maintained our position, improved the group trading profit and slightly increased the net profit from £557,391 to £563,992. I feel that stockholders will agree that this is satisfactory.

RETURNS COMPARABLE WITH PREVIOUS YEAR

In considering the group trading profit of £1,755,352, the returns during the year were relatively comparable with those of the previous year throughout the many sections of the business. There were, however, some minor temporary setbacks in one or two smaller groups amongst our subsidiaries. Similarly, in certain of our factory units, all of which have done so well for a number of years, the results on this occasion were not quite so good. This, I feel, was occasioned by the changing habits of the shopping public. Whilst the results of the tea department and the general preserves factory were better, those of the cake and biscuit bakeries showed a slight falling off owing to a lessened demand for some of their products.

Our tea department's foresight during a period of continually increasing costs on the tea market compensated for some of the lowered profits from the other sections.

Both in the wholesale and retail departments turnover continued to expand during the period under review and reached a new record. Unfortunately, expenses also continued to increase.

Last year you will recall that in addition to the final dividend of 11 per cent making 16 per cent for the year, we added a bonus of 4 per cent, making the total distribution 20 per cent. It was the first increase in the ordinary dividend since 1947, and this year we propose to consolidate the position by recommending a final dividend of 15 per cent again making the total distribution for the year at the rate of 20 per cent. These proposals make it possible to increase the carry forward on the group profit and loss account by £8,111, to a figure of £230,134.

Our main retail company, "International Stores," our Midland retail group "George Masons," controlled from Birmingham by Mr John W. Whitworth, "Payantake Stores," chiefly operating in and around London, and most of the smaller retail subsidiaries, all had a satisfactory trading year and contributed their quota towards the final results.

IMPROVING SALES

The sales figures in many departments have shown fluctuations, but the position is improving and gradually settling down satisfactorily.

As to the future, conditions are certainly not easy today. We must be ever vigilant, watching the moves of traders and commodities, as it is in times such as these that the most efficient in our trade—those who give the best service under the most attractive conditions in their retail branches and wholesale departments—will come out on top. That we are going to do just this, is my sincere and optimistic anticipation so far as the "International" and all its subsidiaries are concerned.

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Communications or queries should be addressed in confidence to the Chairman, British Steel Castings Research Association, Broomgrove Lodge, Sheffield, 10.

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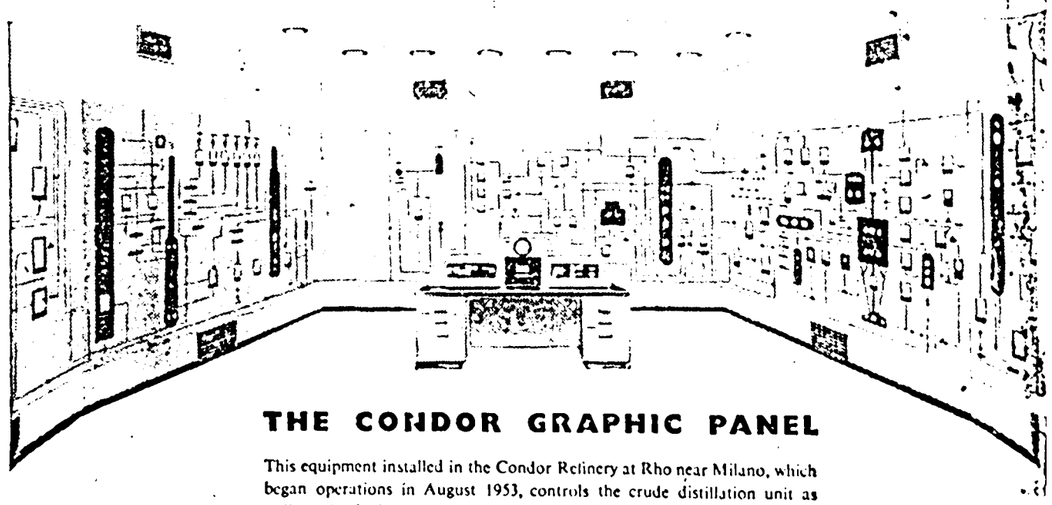
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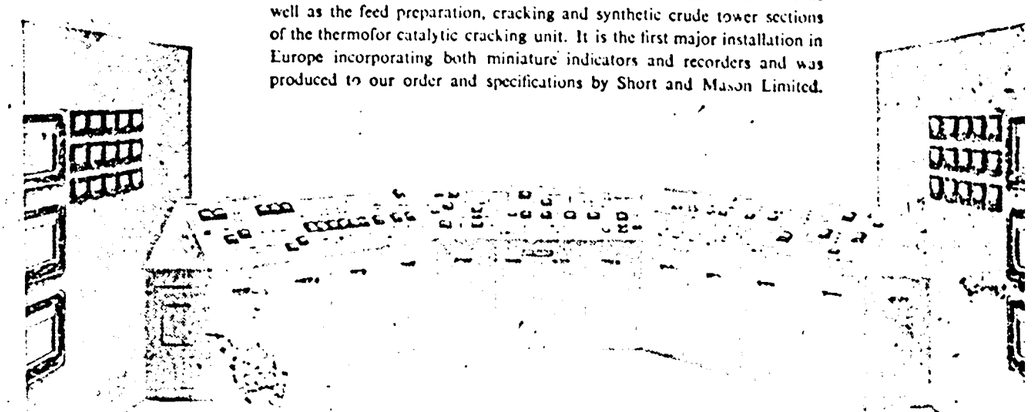
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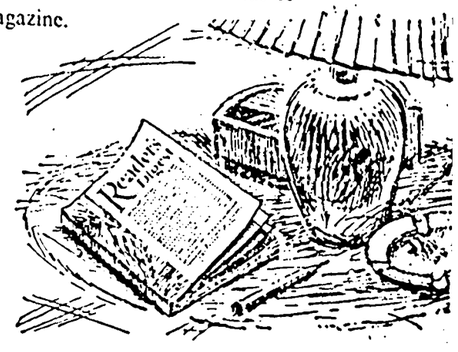
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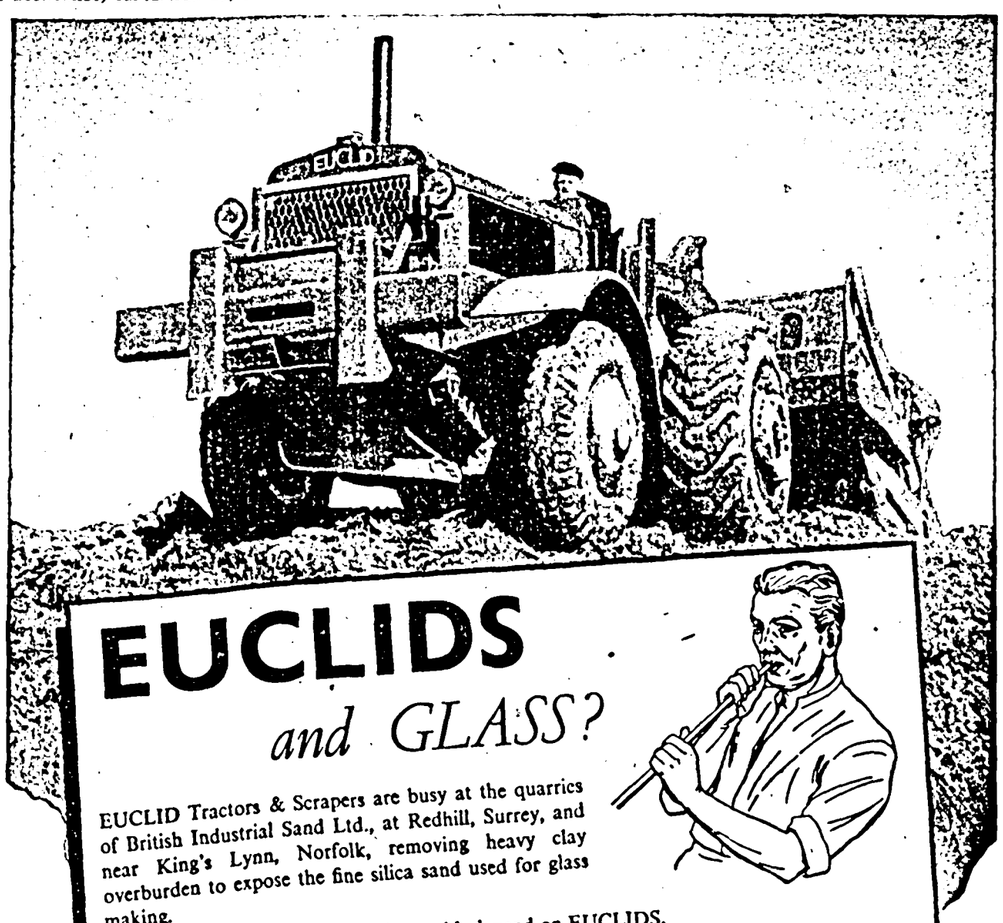
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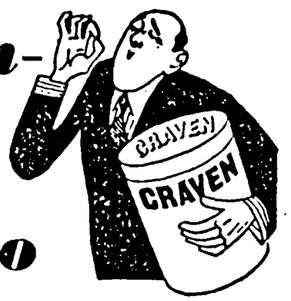
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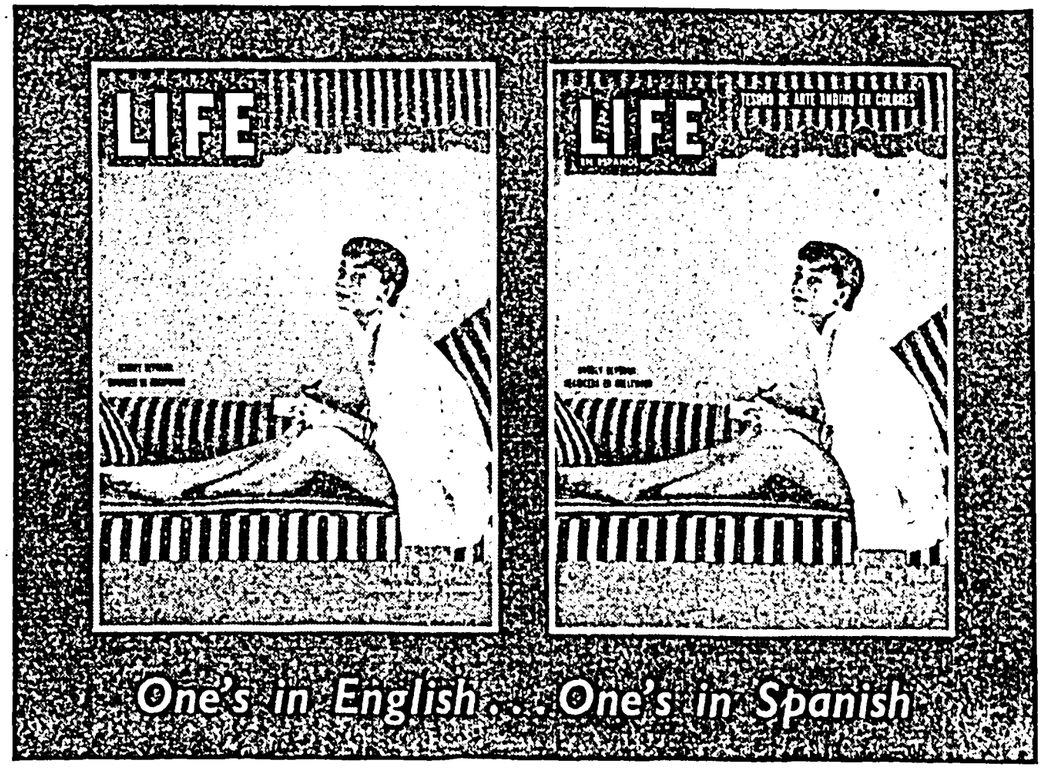


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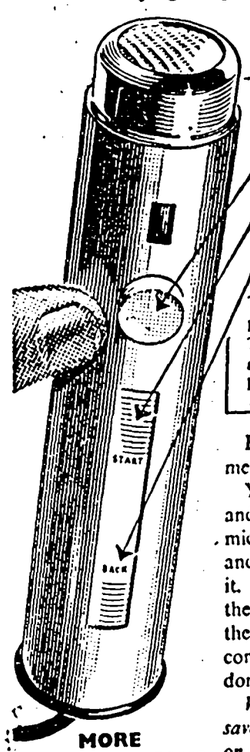
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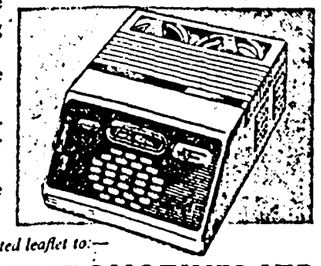
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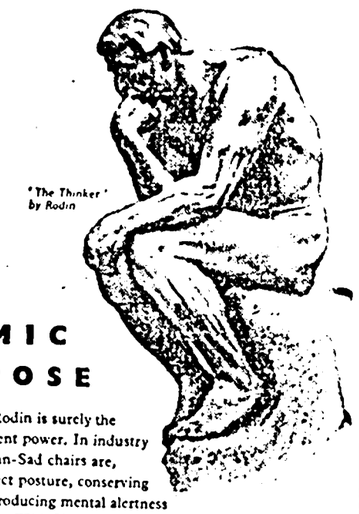
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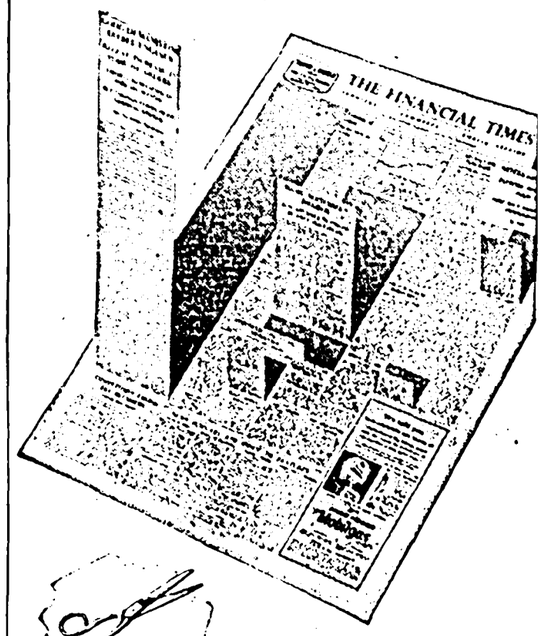
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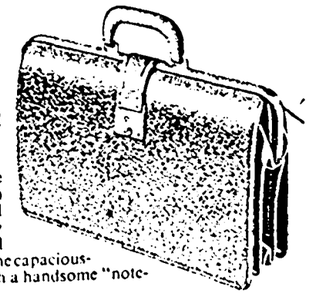
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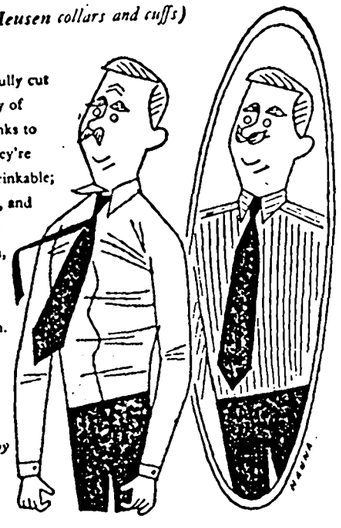
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Europe in 4-D 953
Politics by Conference 955
Asian Watering-Can 957
The Use and Abuse of Planning . . 958

NOTES OF THE WEEK

Blurring the Issue at Scarborough; Tory Agenda; Aloofness on the Footplate; The Other Communities; Truth at Strasbourg; French Socialists at the Centre; Troubles of the TGWU; Success of a Mission; Arab Eyes Turn Westward; Mr Yoshida Sets Out Again; Plain Words on East-West Trade; Roman Scandals; Equalisation and Inequities; The Elusive Scientist; A Chattel or a Trust?; Dutch Budget Under Blue Skies; China's Useful Weakness; Doves Over the Baltic; Dangerous Figures. 960

LETTERS TO THE EDITOR 970
BOOKS AND PUBLICATIONS . . . 973

AMERICAN SURVEY

Democrats Count Their Chickens . 977

Mr Benson Relents; Mergers in the Mode; Tariffs and Surpluses; Atomic Dissenter; Housing Clean-up; Dividing the Waters; Flying on Credit; Shorter Notes.

THE WORLD OVERSEAS

Dr Adenauer's New Outlook . . . 984

Diem is Losing the Battle; Firebrands in Persia; King Coffee's Shaky Throne; Scarecrows in New China; Breathing Space in Denmark; More Rice Than Rubber; Must Evatt Go?

THE BUSINESS WORLD

IMF at the Ready 995
Higher Gear for Lorries 997

BUSINESS NOTES

Retreat and Rally; The Wounded Speculators; Activity in the Capital Market; Building Societies Argument; Humility in the Coal Board; Talent for ITA; British Bicycles in America; Reprieve for Wheat; Huge Expansion for Vauxhall; Proof from Mr Clore; A More International Bank; Royal Dutch-Shell Earnings; Rise in Export Prices; Iranian Oil Agreement; Diverging Trends in Advances; Shake-out in Coffee Prices; Preparing for the Tin Agreement; Better than a Bullock; Shorter Notes. 999

COMPANY NOTES AND SECURITY PRICES 1012
STATISTICS 1014

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Europe in 4-D

THE foreign ministers will gather in London next week for the most crucial conference to be held in this city since the war. They will arrive with furrowed brows and with gloomy thoughts at the backs of their minds. To the man in the street, skimming his newspaper headlines, this may seem strange. He may have the impression that there is already a shining new plan to fill the gap left by the European Defence Community; that there is already broad agreement on the ingenious idea of bringing Italy and Germany into the Brussels Treaty; and that a new formula has been found for control of armaments which, like a political brand of chlorophyll toothpaste, both prevents inroads into the ivory towers of national sovereignty and removes the taint of discrimination. He may well ask: why then so much caution and nagging doubt? Are we not almost home? Cannot the statesmen simply troop into Lancaster House, endorse this timely panacea and catch the next plane back to their respective capitals?

Even half of this optimism would be wholly unfounded. Despite the rich crop of smiling handshakes garnered by press photographers during last week's diplomatic marathon, the London conference will open in a foggy and acrid atmosphere of disunity. At first glance, the statements and communiqués that have been issued so lavishly bear a family resemblance; the same key phrases recur, the same eager concern for active co-operation shines out, the possibility of any complete rift between the powers is not even hinted. Yet the spectre of such a rift hangs close. At second glance, the communiqués themselves reveal how close it has come. Those issued after Mr Eden's visits to Brussels, Bonn and Rome reflected a high degree of agreement; but the Paris communiqué was suavely non-committal. Mr Dulles and Dr Adenauer seem to have got on like a house on fire, and their joint statement pointed to speedy sovereignty for Germany and to its inclusion in the western alliance without discrimination; but after Mr Dulles's visit to London, nothing could be found to say except soothing and evasive words.

Yet it would be over-simplifying the fiendishly difficult task before the London conference to represent it merely in terms of a British attempt to prevent a break between America and Germany on the one hand and France on the other. The four powers have not got four clear policies; they have not even got two. The true picture is not a flat one. It has murky depths; and the time element is at least as important here as the other three dimensions. The complex problems that confront the nine powers can, in fact, be adequately stated only under four headings; and the straightforward differences of view as to what precise shape the powers' future relations should take represent only the first of these.

These differences are themselves formidable enough. It might be thought that M. Mendès-France had narrowed them down a good deal by his Strasbourg speech on Monday. He there stressed the fact

that to make use of the Brussels Treaty would prevent any need to discriminate against Germany. He sought to allay British qualms by specifying that any new control organ should confine its scope to armed forces and arms production on the Continent. He declared that he did not propose the setting up of any new military organisation and hierarchy—"those of Nato are sufficient"—and he suggested that, given liaison between Nato and the new Brussels organ, German entry into Nato "would no longer give ground for the same apprehensions as hitherto."

There was much in this speech that was encouraging. But the questions still to be answered are the critical ones. If the "neo-Brussels" structure has none of the supra-national characteristics that France found intolerable in EDC, how effective can it be as a check on the possibility of German militarism at some future date, when both Germany's government and its thinking may have changed for the worse? Whatever the French premier may say about German entry into Nato (and he has said very little yet), will France really swallow this when it comes to the pinch? The French Assembly is still pledged to oppose the admission to Nato of any state with territorial claims; and one such territorial problem is the exceedingly thorny one of the Saar. Will Britain, even after M. Mendès-France's explanations, step into the proposed arrangements boldly enough to sustain them? And what of the United States, as to which the French premier was perhaps understandably but most significantly silent? What prospect is there that the same Americans who have encouraged European integration for four long years, only to see it crumble at the last minute, will lend to a new and flimsier venture the patient and firm support on which Europe must still depend?

Even now we have considered only the first dimension of the conference's task. No less vital are the problems of timing and priorities. M. Mendès-France seemed confident, at Strasbourg, that he could get the French Assembly to pronounce on a new agreement before the end of the year. But how can the other powers grant even this breathing space? Dr Adenauer has been under gruelling fire from critics on all sides since the collapse of EDC, and urgently needs to be able to show his fellow countrymen some concrete achievement. Mr Dulles represents a party that must face the electors in November with something that will take away the bitter taste of disillusion in Europe. Good "Europeans" such as M. Spaak are justly clamorous for action, and in Britain the opponents of German rearmament in any form are massing in Mr Eden's (and Mr Attlee's) rear. The French premier's need for time is clear enough. His sympathisers can point to his genuine desire to carry his economic programme through; and his sternest critics can see that no government of any complexion could win a majority in Paris for German admission to Nato until some of the bitterness generated on August 30th has evaporated. But the Germans are in no mood for piecemeal advancement, through Brussels to a later entry into Nato: these steps may need to be simultaneous. And can the ending of the occupation regime in Germany be held back still longer? Again, if the French Assembly jibs in December just as it jibbed in August, what then?

The third dimension is that of international confidence. The foreign ministers must still meet in the baleful atmosphere of mutual mistrust between governments that has filled the air since August 30th. Added to the older European fears of German militarism, a newer fear of a German-American "axis" has appeared not only in France but also among its neighbours and even in Germany itself. American anguish at the collapse of EDC has led, first, to a very natural loss of faith in Europe as a whole among both political leaders and public in the United States and, second, to a corresponding fear on this side of the Atlantic that the Americans may give up such a daunting struggle and extricate themselves altogether. But the sharpest mistrust centres on the French premier himself. Despite his declarations of faith in the Atlantic partnership, his Pilate-like role at the death of EDC and the known inclinations of some of his close associates have aroused deep suspicions, particularly, but not solely, in America. Against such a background, his every word is inevitably subject to the most watchful scrutiny, and if a great deal is read into his silence about the American role in Europe or his devious references to new horizons in disarmament, this is scarcely surprising. At the very best, it is an inauspicious background for a conference in which all parties will be asked to make gestures of faith in each other.

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Finally, there is the deepest dimension of all—the problem of internal confidence within the countries concerned. M. Mendès-France has yet to obtain the toleration, let alone the support, of the French "Europeans" over whose humiliation he presided. No coherent majority is behind him; no such majority could, at the present moment, be mustered behind any French premier. In Italy, Signor Scelba has just seen his foreign minister vanish into the murk of the Montesi scandal. In the United States, the Democrats are very naturally making election capital out of what they portray as Mr Dulles's botching of Mr Acheson's plans. Nearly every one of the statesmen who sit down round the Lancaster House table next week will be looking anxiously over his shoulder at the public and the party machines behind him.

The problem is also serious in Germany, although Dr Adenauer cannot be unseated and still manages to control his unruly coalition. But there is a danger that the Chancellor may cling too rigidly to the ideal of full European union, and so alienate his own countrymen. As an article on page 984 shows, he is already attacked in all quarters on the grounds that he has put all Germany's cards on Western integration and neglected German reunification. The "European idea" is not dead, but Germans demand that it shall take practical shape, with Britain as a full partner—and that rearmament shall not block the way to agreement with Moscow on reunion. The dominant mood of the Germans is not jingo militarism; on the contrary, "third force" neutralism has grown, and the Chancellor is likely to be criticised just as much by those who want no American ties as by those who are impatient for a full role in Nato.

In sum, the task of the London conference will not be merely to dovetail together two or three plans that already have much in common, but to grope for solid ground in a European situation that is as queasy as a bog. To expect quick and easy success from the conference would be to risk fearful disillusion. The tragedy is that groups whose members are all men of goodwill are bitterly at loggerheads; and it is essential that whatever emerges from the conference should not provoke another head-on collision between "Atlantic" and "European" factions, or between champions of close integration and sincere patriots. The free world desperately needs the support of both. This is a task to challenge Mr Eden's full powers.

Two things are clearly vital. First, the new shape of Europe must be clarified with the utmost possible speed. Every day of delay deepens the apathy and cynicism that could so easily disintegrate the whole western partnership. Second, the touchstone of all that is proposed or agreed in London must be the question: will it strengthen or weaken the bonds between the United States and its allies? At a moment such as the present one, the supreme importance of the Atlantic partnership emerges more clearly than ever; and if the London talks damage that partnership, even the most ingenious solutions that can be devised to the present problems will do more harm than good.

Politics by Conference

THE two major parties will be holding their annual conferences over the next fortnight at a time when public interest in politics is probably lower than at any time since 1945. Now that the postwar atmosphere of permanent crisis has been replaced, at least domestically, by something akin to stability, most of the bread-and-butter issues which shook the hustings at the last two elections have been taken out of politics. It is not only because the election is still some way off that the politicians are failing to see the whites of the electors' eyes; the eyes are closed in boredom. To recapture public interest is a legitimate and necessary objective of all parties; it would be unhealthy if the country's concern with public affairs were to become confined to a three-week election campaign every four or five years. But there is a right and a wrong way of keeping people interested in politics and some of the advanced billing for the conferences suggests that neither party may be ready to take the right way.

Broadly speaking, politicians can appeal to the public through its head or its heart, and usually party propaganda is nicely calculated to reach both. But when a party finds itself short of intellectual argument it inevitably tends to tilt the balance towards emotionalism. The classic move for a party anxious to strike a predominantly emotional appeal is to proclaim that an election is imminent, and it is ominous that both sides are advertising their coming conferences as the last before the next election. This emphasis is quite unnecessary; there is very unlikely to be an election before next autumn at the earliest, and even if it comes then (which is by no means certain), there could be time to fit in next year's party conferences first. If the election scarecrow is flourished at Scarborough and Blackpool, the only people the party leaders will be trying to scare are their own followers.

The cry of "close the ranks" is always a particularly tempting one for a leader with a divided party, and no doubt Mr Attlee has been tasting its flavour on his way back from the East. But he has good reason for knowing that such a move never pays dividends in the long run. He thought he had solved the Bevanite crisis in 1951 by making the Scarborough conference a pre-election rally, but the storm merely broke a year later at Morecambe, and even more fiercely than it would have at Scarborough. Quite apart from the split on German rearmament, Mr Attlee's party has reached a state of division which certainly cannot be hidden and for which the only cure is honest discussion and clear decision. It is true that if Mr Attlee were to try to swathe Labour's differences in a cocoon of compromise he might be lucky enough to see a sudden crisis sweep the Tories from power irrespective of Labour's deficiencies. But that is unlikely and in any event would merely put him back in the position he found intolerable in 1951, of trying to run the country at the head of a divided party.

The Tory leaders are much less troubled by serious party divisions, but the pinpricking revolts of the summer were evidence of a certain amount of subterranean restiveness and the temptation to pitch an emotional appeal must be present with them, too. Certainly there is no institution better devised for whipping up uncritical partisan fervour than a party conference, and a Tory conference in particular. Labour manages to achieve some degree of effective working debate, but the Tory conference is never much more than a mass rally. No body of over 4,000 people, in some years spread over two or three halls, can ever

hope to be seriously deliberative, while, for all its size, the Tory conference is shorter than Labour's—two and a half days compared to four and a half or five—and the individual debates are also shorter. This year the Tories are making history by allowing their conference to be televised, but clearly they are taking much less of a risk than would Labour (except perhaps of boring the viewers) and the fear must be that the presence of the TV cameras will turn the occasion into a mutual congratulation society.

The inability of an annual conference to decide on the minutiae of current politics must be obvious to the party leaders, if not necessarily to the delegates, but the curious fiction is maintained that the conferences have a substantial degree of executive authority. In the case of Labour this is formally correct: conference decisions are binding on the party's National Executive Committee. But the Executive, even when it does not succeed in avoiding being shackled with unwelcome chains, usually manages to show the skill of a Houdini in wriggling out of them later. The Labour conference has no direct authority over the Parliamentary Party (which chooses Labour's leader) and of course none over a Labour Cabinet. The Tory conference has even less claim to authority; the creation of Tory policy is the sole prerogative of the leader (also chosen by the party's Parliamentary representatives) and the leader does not even attend the conference, only a special demonstration when it is over.

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But both sets of leaders insist on preserving the myth that the delegates exert some direct control over day-to-day policy and it is not surprising that the delegates have come to believe it. Thus they get disgruntled when they see conference decisions ignored, and at both conferences a curious love-hate relationship has developed between the "floor" and the "platform." The "floor" never stints its idolatry of the party gods and their high priests, but it also shows a missionary zeal for staging at least one revolt against the "platform" each year. Invariably these triumphs are unfortunate, the classic case being the success of a Tory conference in forcing a glassily smiling Lord Woolton to accept the 300,000 houses pledge, which has been a millstone round the neck of the party—and of the national economy—ever since.

If the party conferences are to make any really useful contribution to the nation's political life, it will have to be primarily through discussion of wide basic issues, rather than the details of legislation or administration. It is no coincidence that the best conference debates, particularly on the Labour side, invariably take place on the broad principles of the society which the party thinks it wants to create. If the party leaders, with their daily contact with events, must control the party's conduct towards current problems, they tend, by their very proximity to practical politics, to lose sight of what are supposed to be their basic principles. This is particularly true when a party is in office. Labour's present intellectual bankruptcy dates from the 1945-50 era when all its leaders were busily putting into effect the party's earlier notions and giving insufficient thought to a basis for future action. The Tories are now getting into rather the same state, as Mr Macmillan, at least, seems to be recognising. Like Labour in 1945-50, the Tories are carrying out the more specific of their election pledges; they have ended rationing, cut taxation a little and put up lots of houses. That the rank and file should be none the less restive is a paradox to be explained partly by the unusual ossification of the party hierarchy but much more by a feeling among the faithful party workers in the constituencies that the Government has been so busy being efficient that it has forgotten to be Conservative. This is why the party reacted so fiercely to Crichel Down.

These are broad issues of the sort that it is helpful, and indeed important, for annual party conferences to discuss, and for which they are well fitted. In the postwar atmosphere of food rationing, housing shortages and class consciousness, the politicians were able to pitch their arguments at an easy level of simple slogans and catch-phrases, but now for the first time in over fifteen years there is a chance to conduct political argument on the basis not of what the meat ration will be in the next ten months, but of the type of society which is to be created over the next ten years. A few individual politicians have already raised their sights, but the parties as a whole have been left fumbling, with the result that they run the risk of seeing the next election decided on hasty judgments passed by electors slumped in apathy up to the last moment. The parties can best serve both their own interests and those of the political life of the country if they use the coming conferences not to whip up synthetic emotion, but to start marking out the ground over which the political battles of the next few years will be fought.

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Asian Watering-Can

IMPORTANT new developments in the work of the Colombo Plan are likely to impose themselves at the meeting in Ottawa early next month of the fourteen-nation Consultative Committee. Questions of fundamental importance affecting both its membership and its future role in Asian economic development can scarcely be avoided. For the first time the United States will be attending as a full member, and there are hints that two more Asian candidates will be presented. Clearly the intimate atmosphere of the exclusive club is disappearing. A potentially more disruptive question, however, is that of the future relationship between the Colombo Plan and the many other schemes, existing and projected, for giving aid to under-developed countries in Asia. The most troublesome problem is the connection between the Plan and the economic side of the organisation newly conceived at Manila but as yet unborn.

From the first it has been an explicit aim to draw the United States into the Colombo Plan. All the participating countries realise that only the Americans possess the resources to give it real punch. Now, however, some of the Asian countries are having second thoughts about US membership. They are afraid that Washington will make the running; they suspect that the Americans will use the Plan to entangle the uncommitted Asian countries in their crusade against Communism. At Manila it was no secret that the British delegation favoured the Colombo Plan in preference to a new economic organisation grafted on to the South East Asian Collective Defence Treaty. This unwittingly gave the impression that Britain regarded the Colombo Plan as an alternative to the Manila pact. It is not; but an official disclaimer is needed to put doubts at rest.

In fact Mr Stassen, who is responsible for the American foreign aid programme, has already firmly denied that his government proposes to use the Colombo Plan as its main instrument for channelling economic aid into Asia. The Americans will continue to use the Technical Aid (Point Four) scheme, bilateral military and defence support agreements, and the World Bank as their main agencies. Clearly, however, it is in the interests of all the Colombo Plan countries to welcome American participation. It is a fundamental precept of the plan developed at Colombo in January, 1950, that membership is open to all countries that subscribe to its objects. As Mr Gaitskell put it at the time: "We countries of the Commonwealth have taken the initiative in this enterprise. But we certainly desire no monopoly." There are other would-be members—Japan and Siam; they too should be welcomed. Japanese participation will certainly raise doubts in the minds of some of the members of the Colombo Plan; it might create difficulties; but on balance it is likely to be an asset, particularly to the other Asian members.

But there is a danger that satisfaction with the modest success of the Colombo Plan will give rise to complacency about the general economic situation in Asia. No such luxury can be afforded. The Plan itself has as yet not made much impression on the enormous problem of economic backwardness in the area. It is difficult to guess how much external aid is needed; but a group of experts reporting to the United Nations in May, 1951, estimated—admittedly on somewhat flimsy evidence—that some $11 billion of external capital would be required each year for industry and agriculture alone if the national income per head in Asia (including China but excluding Japan) was to be raised by a mere 2 per cent per annum. Their estimates, which might in fact be too conservative, give an idea of the orders of magnitude involved. Something less than $200 million of external capital is the fractional contribution to this task made by the Colombo Plan. This does not mean that its impact is minimal, for, as experience has amply shown, helping under-developed countries is not simply a matter of pouring in money. Technicians must be trained, new skills introduced, the arts of management taught; in this work the Colombo Plan, together with the United Nations Technical Assistance Board and the American Point Four programme, have chalked up impressive results. But adequate finance is vital. It is because the financial needs of under-developed countries are so great and the available resources outside the American continent so inadequate that it is difficult to keep patience with those who suggest that Britain, in combination with the Scandinavian countries or some other such odd grouping of countries, should go ahead independently of what the American government cares to do.

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Something of a dilemma, therefore, faces the sponsors of the Colombo Plan. To be properly effective it needs much more money; the only hope is that the Americans will come in with a massive contribution; but this will mean that the American influence will predominate, probably causing a breakdown of the unique Colombo Plan relationship. It would be a pity if this happened. Asian countries have on the whole taken to the Colombo Plan. They see in it no sign of a threat to their sovereignty, no suggestion of a political line-up in the cold war. This is a valuable asset; it should not be squandered. Irresistibly, therefore, the conclusion is reached that the Colombo Plan should not, after all, be transformed into something bigger. Let its membership be widened; let its financial resources be increased; but at all costs keep its character and role intact.

This means that the main burden of giving aid to the under-developed countries of Asia must be shouldered by other agencies and organisations. There are already several at work in this field—the International Bank, the United Nations specialised agencies, the American Foreign Operations Administration and others—but there is room for much more. A plan to create a Special United Nations Fund for Economic Development has been sporadically debated, but there is little likelihood of it taking practical shape in the near future. Of the big powers, neither Britain, the United States, nor the Soviet Union supports it.

The only other possibility in sight is the proposal to give the Manila Treaty an economic backbone. All the signatory powers have indicated their willingness to accept additional economic commitments; but until the treaty is ratified and the permanent council set up there is no telling what sums it will command. It might be a year or more before it takes shape. Nevertheless this is no excuse for side-stepping some important decisions. Is a "Manila Plan" to be the West's main answer to Communist infiltration in Asia, and if so, what will its relationship be to the Colombo Plan?

There are two outstanding weaknesses in the proposal to create at Manila an Asian counterpart of the OEEC in Europe. First, the Manila pact covers only half a dozen Asian countries, accounting for a mere fraction of the total population of the area. Moreover, most of the Asian members are already receiving adequate if not especially well directed economic and defence support aid from the United States. Second, the aid—if Washington's current mood prevails—will mainly have a military orientation. Neither argument is decisive. However small a proportion of Asia's backward people are helped to raise their economic effectiveness, it is all to the good. And there is a strong possibility that other Asian countries might be persuaded to take part informally in the economic arrangements without committing themselves to the Manila pact itself. As for the predominantly military character of the aid, it is for Britain, Australia, New Zealand and the Asian signatories to make their voices heard in Washington. They could not do better than recommend to Mr Dulles's attention a new and penetrating American analysis of the economic and political aspects of aiding under-developed countries prepared by Professor Eugene Staley.* He writes that "It is a wrong diagnosis which sees the Communist menace as mainly a military threat. . . . In most under-developed countries the politico-economic threat is the major one"; and he suggests that, given a Communist strategy that plays down military action and fosters revolution under cover of a "peace offensive," America should, while keeping its military guard up, seek true security by "putting relatively more into politico-economic strengthening of under-developed areas, and relatively less into arming them." Meanwhile, the secondary economic effects of a military aid programme should not be ignored. After all, the demonstrably successful Indian five-year industrialisation plan is in a sense still being financed largely by the residue of a British wartime offshore procurement programme.

There is, in short, no reason at all to worry whether the Colombo Plan will be superseded; it will not. The "Manila Plan," if and when it takes shape, will be complementary and not competitive. Both are needed. At present only a few drops of western aid drip from a rusty bucket; what is wanted is a well-directed shower from a brim-full watering can.

The Use and Abuse of Planning

AMID the Conservative government's bonfire of controls, one major control—that of the local planning authorities over the use and development of land—has so far survived intact. Both main parties have avowed, in general terms, their faith in the continued value of planning controls, but there has been little attempt at a specific defence of the particular controls that exist. Interference with the private use of land is justified only if it accomplishes aims which are both socially acceptable and clearly defined. Unfortunately the worth of town planning is clouded by woolly ideas which sound sensible but lack substance.

An example of this muddled thinking is the aim of conserving agricultural land, which ministers view as a prime justification of the planning machinery. This notion sounds meritorious and quite unexceptionable; everyone would agree that farmland ought not to be "needlessly" wasted. But how much extra development cost is it worth incurring in order to avoid building on the better quality land? How far should people be deprived of their back gardens in order that farms can be protected? And is there any case for building upwards in blocks of flats in order to cut down land requirements?

After seven years of the Planning Act's operation the only official guidance on these matters is that "some additional cost" is justified to protect agriculture. An elaborate machine operates to ensure that "the claims of agriculture" are fully considered before any development is allowed. But the opinions of junior officers of the agricultural land service about the quality of farms are not always a reliable guide even to agricultural requirements. They are not based on an adequate soil survey, since the money so freely spent on organisation has been less available for research. Much less are they related to any consideration of the economics of food production; it might often be cheaper to replace the food grown on a piece of valuable land by improving marginal land elsewhere than to force housing or industry to incur extra costs.

The vague zeal for agricultural conservation emanating from Whitehall has fathered some extraordinary notions. It has influenced or indirectly compelled a number of local authorities to build flats instead of houses at an extra cost that is equivalent in extreme cases to £45,000 for each acre of farmland saved. The same sum spent on upgrading hill land might well produce over two hundred times the food supply of the lost acre. It is certain that much of the money now being spent on expensive flats, and justified on agricultural grounds, would never be forthcoming were it not that the national taxpayer unwittingly carries almost the whole burden of the special flat subsidies.

What plausibility there is in the conservationist idea derives from the argument that land, once given over to bricks and mortar, could not produce food in an emergency. But this notion again has never been properly analysed. It appears from official estimates derived from local plans that prospective urban development may affect about 2 per cent of present agricultural production during the next twenty years. This figure would doubtless be larger if strong controls did not exist; but even so it would be small compared with the extra food which could be wrung from the remaining farmland in an emergency (not to mention the resources of those urban back gardens which close development reduces or eliminates). Britain is not like Japan, faced with a swelling population and no scope for emigration. Once the redevelopment of congested areas is complete, urban pressure on the countryside will slacken considerably. Certainly evidence is needed to show that land conservation would make enough difference to starvation or survival to justify the costs and deprivations that are imposed in its name.

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This one point has been discussed at some length because it illustrates well the temptations to which official planners are liable. The local planning authorities, supervised by the Ministry, are responsible for the "co-ordination of all forms of land use," and the idea has got around that an elaborate machinery for consulting all interests and rendering a supposedly impartial decision is a fair definition of planning. This judicial analogy is very misleading, for no general yardstick for determining the right use of land could conceivably be invented (other than the discredited and partly superseded one of a free market). The actual effect of this approach is that planning permission becomes a prize to be awarded to the best behaved or most plausible applicants, or to be settled by arbitrary rules, interpreted by the whims of junior officials. If the planning authority has not got a clear policy of its own, which it can define and defend in terms of general principles, then it had much better not interfere with the speedy, silent, and genuinely impartial mechanism of the market; and half-baked ideas applied by rule-of-thumb methods are no substitute for proper principles.

There are, however, basically sound and acceptable policies for which the planning authorities, central and local, are also responsible. Three of these policies may be briefly mentioned. There is first the championship of the broad cause of "amenity." This ugly word is shorthand for a whole group of tasks which are part defensive and part creative. The protection of the nation's heritage of natural and architectural beauty is inevitably a tough struggle against ugly or unsuitable developments. The planning ministry claims that in this contest it is merely the umpire and not the advocate for the defence; but the popular view of its role as that of upholding aesthetic values against economic pressures is actually a more appropriate one. Since all the other public departments as well as private organisations are bound to devise their schemes of development in terms of minimising costs, it is well that there should be one authority to urge and sometimes to insist that it is worth paying something to avert the obliteration of the finer features of town and countryside.

Preserving existing amenities comes more easily to public authorities than creating new ones. The standards of design favoured by local councils are all too often insipid, monotonous, and conservative; but at least those councils who employ a good architect and are prepared to trust him can avoid the more egregious aesthetic blunders. But the most useful work here consists in moulding a satisfactory environment rather than in dictating building designs. In ensuring that development while reasonably spacious is compactly grouped, in reserving suitable sites for social facilities, in retaining trees and other natural features, in protecting residential areas from noxious fumes and traffic dangers—in all these matters there are now reasonably agreed standards which, actively pursued, can make a real difference to the quality of living.

Secondly there are the great tasks of urban redevelopment. In most big towns the more spectacular work of rebuilding bombed city centres is at least half-completed, and attention is being switched to the long prosaic task of redeveloping the vast areas of substandard and congested properties. The tasks in each case are the same: to sort out the present mixture of uses; to segregate harmful industries; to streamline the road system; to eliminate congested housing; and to provide a sufficiency of open spaces and of land for the modern requirements not only of dwellings, but of factories, schools, and hospitals. In all cities the shortages of space and of finance are the limiting factors which circumscribe respectively the density and the

* The Future of Underdeveloped Countries. By Eugene Staley. *Harper*. New York: *Royal Institute of International Affairs*, London. 410 pages. 36s.

pace of redevelopment. But the main cities have shown a remarkable uniformity in their choice of policies and standards, and if these can be implemented, a considerable improvement in living standards will certainly result.

The third policy is the corollary of the redevelopment programmes of the largest cities—the schemes for dispersing their surplus population to smaller towns in the same region. Redevelopment reduces the area available for housing and displaces large numbers of people. If a limit is to be put to building upwards because of its extravagant cost and social unpopularity, and if outward sprawl is not to continue indefinitely, then a part of the population pressure in London, Birmingham, Manchester, and Glasgow must be shifted to other towns. There is nothing visionary or utopian about this policy, since in all economically advanced countries there is a strong centrifugal force behind industry and population which the planner can hope to guide and accelerate.

The three specific policies here briefly outlined do not of course exhaust the scope of town and country planning ; nor are they free from considerable controversy. The wisdom of a dispersal programme designed primarily in terms of housing rather than of shifts of employment is, in particular, open to doubt. But at least these are policies which have been clearly formulated and generally agreed between the planning authorities and which hold forth definite prospects of social betterment. No controls which fail to satisfy this elementary criterion ought to be tolerated ; and it is surely time that both the law and the practice of town planning were reviewed so as to reduce the amount of interference to what is positively needed for specific purposes. A vague and dilatory brooding by public officials over the destiny of each piece of land can never be justified by talk about the national interest, the need for co-ordination, and the smallness of this island. Only the prospect of concrete benefits can warrant the imposition of planning controls.

Notes of the Week

Blurring the Issue at Scarborough

THE emergency resolution on German rearmament adopted by the national executive committee of the Labour party is a dubious manœuvre, whether the retreat from clarity is real or sham. If the official leaders are really backing away from their earlier commitments they might as well say so frankly and enjoy a peaceful, if undignified, passage through next week's annual party conference. If, as seems much more likely, they are merely trying to pretend they have changed their minds, then the Bevanites will make very sure that the deception is exposed. To find out just what the official leadership is up to, the party will have to wait for the speeches from the platform introducing the motion next Tuesday.

Not that the resolution is all evasion. It is reasonable that the executive should deal with German rearmament within the context of the German problem as a whole ; thus the resolution proves agreeably sensible by recognising that the question of free elections remains the touchstone. The Bevanites have been developing specious arguments that German rearmament should be bartered against free elections ; the resolution lays down that talks on German unity should be resumed only when the Russians permit free elections in the eastern zone.

This alone is enough to ensure a clash with the left at Scarborough, and it is difficult to see why Mr Attlee's lieutenants bothered (in his absence, but presumably with his approval) to wrap up the rest of their ideas in double-talk. With the nine-power conference taking place at the same time the executive can fairly claim some elbow room ; but it is mere evasion to propose talks with continental Socialist parties, which are collectively, and often individually, as split as British Labour. These talks are to consider "arrangements . . . for the German Federal Republic to contribute to collective security." If this sentence means anything, it must be that the Germans should be rearmed ; no responsible Labour leader has hitherto ever suggested that Germany should contribute to western defence without providing troops, and if one does so next week he will deserve and incur only contempt. With over fifty resolutions opposing German rearmament on the conference agenda, there will presumably have to be a straight vote on the issue some time next week. Defeat then would be cancelled out if the executive could get its own resolution passed, but if the conference proves merely irritated by all this shuffling the executive may yet wish that it had put on a braver show.

Tory Agenda

THE latest salutary effect of the Crichel Down affair is to provoke the Tories at their annual conference to have a debate on "the liberty of the subject." This is a topic which politicians like to discuss in Opposition but tend to find a nuisance when in office. Without Crichel Down it is hardly likely that eleven resolutions on various aspects of the subject's liberty would have been submitted to Abbey House and so made a debate necessary. The resolution on which the discussion will take place urges that the individual should have the right to appeal from decisions of the executive power to an independent tribunal. Whether the ensuing debate is as useful as it could well be will depend on whether the speakers can avoid the customary platitudes.

For the rest the agenda for the Tory conference follows fairly obvious lines. Over 30 resolutions calling for higher pensions were clearly drafted with an eye on aged constituents rather than on the Government, whose anxiety to act and reasons for delay have been made equally plain more than once. The Government, through Mr Butler, has also repeatedly made clear its attitude towards its own expenditure. This, however, has not prevented the annual sheaf of motions demanding cuts in taxation but failing to specify how the sponsors would find the money.

One or two familiar landmarks in the agenda reappear somewhat stunted. The annual clash between Mr Thorneycroft and the Messrs Amery *père et fils* is declared a draw in advance ; the debate on Commonwealth trade will take place on a motion merely calling for a revision of Gatt "if need be" in the interests of strengthening Commonwealth ties. Nor is there likely to be a repetition of last year's demonstration by the farm interests ; the new Minister is faced by suggestions couched in moderate terms. To compensate it for the loss of one of its favourite targets in Sir Thomas Dugdale, the conference is to be allowed to chivvy Miss Horsbrugh a little and even prod Mr Macmillan towards "concentrating housing subsidies on those who genuinely need them." But any chivvying of Mr Eden will be bad form. There are resolutions opposing his Suez policy and calling for a cut in national service (a rare bird in this aviary), but the motion on foreign affairs and defence which he will answer is couched in terms of simple adoration.

Aloofness on the Footplate

THE negotiations for a new wages structure for the railways have been thrown back into the melting pot. A fortnight ago the Transport Commission put an end to a deadlock by making a new offer, and last week it seemed that agreement might be reached. The National Union of Railwaymen had agreed on maximum and minimum increases, and had only to settle rates for the intermediate grades, and the Transport Salaried Staffs Association, too, had reached agreement. But the Associated Society of Locomotive Engineers and Firemen decided on Tuesday that the reported increase of 6s. 6d. offered to the footplatemen was still too far below their claim of £1 6s. 6d. to be acceptable. It is again insisting on referring the matter to the Railway Staff National Council—the usual preliminary to the industry's arbitration tribunal. It is by no means certain that ASLEF will gain more by this method ; the tribunal is made up of representatives of the other two unions and of the Transport Commission, with an independent chairman. But presumably it feels that it will not do any worse.

The council was due to meet on Friday, and its first task was to decide whether it was in accordance with the industry's constitution that the tribunal should consider a claim by one union only. If that were allowed, it would in theory be possible for the ASLEF men to get their increase through the tribunal while the other unions got theirs by negotiation. If the tribunal's award were more generous than the existing offer the commission would not only have to pay that increase to all footplatemen (including the 25 per cent of them who are in the NUR), but the NUR would presumably cease to be content with the other increases that it has negotiated. It would be surprising, however, if the award were to be more generous. The tribunal has an obligation to consider what the industry can afford—and the Transport Commission has already passed that limit. But if it were to recommend no more than the commission has already offered it might provoke again the obduracy of ASLEF. The spectre of a railway strike walks again.

The Other Communities

IN the tumult and discontent that has followed the collapse of the EDC, the functioning organs of European co-operation tend to be forgotten. Although first the uncertainty over EDC and then its collapse inevitably cast long shadows over the whole movement toward closer European co-operation, the idea of European unity has grown roots that are too deep to be easily killed. In May, 1950, when M. Schuman offered to merge France's coal and steel industries with those of other European countries, he did so in the name of Franco-German amity. At that time no one had yet dreamed of a European defence community in the now familiar sense. The Schuman plan, with its dramatic political appeal and latent economic advantages, was a new and exciting experiment. It still is. Although admittedly imperfect in many respects, a common market for coal and steel exists, and the end of exclusive national control over these vital resources is enshrined in a fifty-year treaty safeguarded by a zealous international bureaucracy. In his search for guarantees, M. Mendès-France should not overlook the military and political implications of the European Coal and Steel Community ; they are certainly not forgotten by the Germans.

Nor should the *coup de grâce* given to the EDC be taken as the end of all the high hopes for "Little Europe." Military integration is a step which must be taken eventually if the Six are to function as a true unity ; but there is no reason why it need be the second step. It was largely an accident of history that EDC came to be marked down as the next of the communities of the Six. The governments of the Low Countries, particularly the Dutch, have frequently argued that further action on the economic front was a more sensible second step.

The new pattern of defence arrangements for Western Europe which must soon emerge will undoubtedly affect the development of European economic and political institutions, but it will not remove the necessity for making the existing institutions work and evolving new ones. And the breaking of the unnecessarily rigid connection between European unity and western defence arrangements may make it easier to solve such long-standing problems as British association with the Coal and Steel Community.

Truth at Strasbourg

FEW of those who heard the Belgian Foreign Minister, M. Spaak, address the Council of Europe last Saturday can have failed to feel the appropriateness of his words in the only permanent European assembly that has yet been established. He spoke as a European at a moment when the great flow of hope and idealism in postwar Europe is sharply receding, and many people are already beginning to look upon the late 1940s as an age that is already passing into history. M. Spaak's theme was simple : German rearmament is vital to European defence ; to reject it would therefore destroy not only Europe, but also the strength of the Atlantic Pact, for America would withdraw from the Continent, and Britain would follow this example. It was sad but true that, if the question of German rearmament was put to the Nato countries, all but France would certainly agree to it. EDC had guaranteed five things: German rearmament ; some limitation of it ; no German general staff ; a step towards European unity ; and a new chance to solve some of Europe's biggest problems, including the division of Germany. Of these five, the Nato solution could cover only the first two. Nevertheless it must must be accepted.

The key point in M. Spaak's argument, that the Americans would withdraw from Europe if the Germans were not rearmed, is debatable. Admittedly this idea has been championed in Washington for over a year by a strong body of opinion ; but highly placed observers do not believe that, at least under the present Administration, the reappraisal would be quite so "agonising" as to cut Europe off *tout court*. And so long as some American stake was left, the United States would remain committed. But the essential value of M. Spaak's statement remains in any case. He showed that Western Europe can survive only on either America's or Russia's terms. There is no halfway house, and no realistic possibility of a "third force." This proposition can never be proved too often.

French Socialists at the Centre

M. MENDES-FRANCE originally contemplated, it seems, only a brief stay at the Quai d'Orsay ; and by now he must be wondering whether, in assuming the role of foreign minister as well as that of premier, he has taken on the task of Sisyphus. Next week's London conference confronts him with almost exactly the same problem as he faced on the eve of the Brussels conference in August. Once again he has to try to align all those French deputies who are prepared to accept some form of German rearmament on a formula that could also be accepted by France's allies. He has to reconcile as many as possible of those who voted against EDC with as many as possible of those who voted for it. The extremists on both sides—the "ultras," as they are now called in Paris—will certainly be against him. Can he, once tempers have calmed down, find any sort of majority in the centre ?

His proposals are still too vague and too new to allow of any accurate forecast. Many Gaullists may be swayed in his direction by the smallness of the "dose" of supranationalism that he suggests. His greatest difficulty will obviously be to win over enough of the "Europeans," whose bitterness over the failure of EDC has not yet diminished. The Christian Democrats (MRP) show no signs of modifying their hostility to the premier. Indeed, there were many rumours that, as soon as the Assembly came together again in November, the MRP would press for a dissolution to prove that the rejection of EDC represented the feeling not of the people, but only of the deputies—of the *pays légal*, not the *pays réel*. But enthusiasm for this move is now cooling off. The idea of a dissolution is apparently distasteful to the President of the Republic, and the "Europeans" themselves have no wish to provoke a second French veto which would please only the Communists and disgust France's allies. They have been thinking of bringing the premier down on some domestic issue before the Assembly can debate the European problem ; but for constitutional reasons they will have less than three weeks in November during which they could secure fresh elections by defeating the government by an absolute majority.

The Socialists, now struggling to avert a new and fatal split within their ranks, seem destined to play a key role. They are naturally reluctant to bear any responsibility for nipping in the bud M. Mendès-France's reformist experiment. Both in domestic and in foreign matters, the fate of the government lies primarily in their hands ; and the key factor in the determining of their final attitude—as of that of many other deputies—is likely to be the degree of British participation in the new European system.

Troubles of the TGWU

THE trials of the Transport and General Workers' Union do not get any less. As *The Economist* goes to press busmen from 55 of London's 114 garages are operating, in defiance of the union, the ban on overtime and on "rest-day" work, and there is every sign that it will extend further. Its pretext is a vague protest against rates of pay and pensions, although no specific claims have been put forward, other than the slogan "£10 a week or else." The malcontents feel that this is a particularly opportune time to exert what pressure they can, because, like all sections of the transport industry, London buses are suffering from a severe labour shortage—to be precise, from a shortage of 2,900 drivers and conductors.

The union now has to decide whether it will merely continue to withhold its support from the militants, while reminding them that their action breaks the union's agreement with London Transport to work overtime on request ; or whether it will canalise the militancy in another wage claim. In recent talks with the employers it has certainly urged that if work on the buses, with its disadvantages of irregular hours and weekend work, is to compete for labour with other industries, it must pay higher wages. A delegate conference of the union this week decisively rejected London Transport's proposal for meeting the shortage by regularised overtime working—a proposal that is certainly unpromising against the present background. On the other hand, the last claim was settled as recently as last January with an award of 7s. a week, and the time is hardly ripe for another. Whatever the union decides to do it can at least console itself with the thought that no other union is going to poach its members.

Meanwhile the breakaway in the dockers' group of the TGWU continues to spread. The National Amalgamated Stevedores and Dockers' Union asserts that over half the dockers both at Hull and at Birkenhead have now applied to transfer to it from the TGWU. It shows no sign of being impressed by the rebuke of Sir Vincent Tewson, general secretary of the TUC, who demands that it should return the purloined members. It denies the charge that it has broken the "Bridlington agreement" (which, among other things, forbids a union to organise recruitment where another union is in a majority) on the ground that the Hull dispute was over. If its defiance leads to suspension, followed at the next congress by expulsion, this would not be for the first time. It was expelled for the same sin thirty years ago, and was only readmitted ten years ago.

Success of a Mission

SIR KEITH HANCOCK has returned from Uganda after what has been, for him personally, a most successful mission. His appointment as an independent expert to advise the people of Buganda on constitutional reform was announced in February. It formed part of the Colonial Secretary's statement on the development of the whole of Uganda (including Buganda) as a primarily African state. Part of the dispute between the Governor and the Kabaka of Buganda arose from the Kabaka's wish to achieve autonomy for Buganda. The purpose of Sir Keith Hancock's mission was therefore to hammer out proposals by which Buganda's desire for self-government could be reconciled with the progress of Uganda, as a unitary state, towards the same goal. Consideration had thus to be given to the relations between the Lukiko (Buganda's parliament) and the Legislative Council of Uganda. Equally important were the problems peculiar to Buganda itself, and the relations of the Kabaka—whoever he might be—and his ministers with the Lukiko were included in the terms of Sir Keith Hancock's mission.

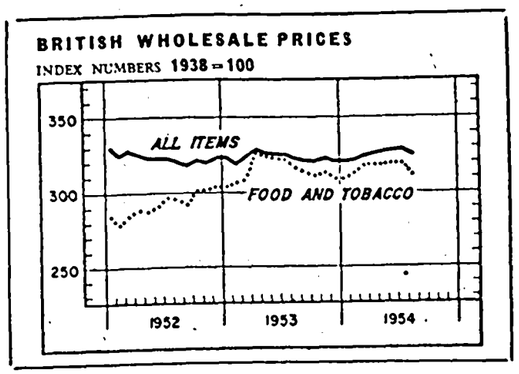
From the start it was intended that the Baganda themselves should have a large share in working out a solution to these constitutional problems. Sir Keith Hancock's first success was his mediation between the Governor and the Lukiko in the dispute that arose over the membership of the constitutional committee. Moreover, the speech he made to the Lukiko on his arrival in Uganda in June, in which he emphasised his independente both of the Government and of the committee, created a favourable atmosphere for the beginning of the talks. Now he has managed to secure agreement, not only among the members of the constitutional committee themselves, but between them and the Governor, Sir Andrew Cohen.

Yet the agreed recommendations on Buganda's constitution, signed last week by the Governor and by the members of the committee, are not the end of the story. The recommendations, which will not be made known for another month as they have to be translated into the native tongue, will have to be considered by the Lukiko. Even though the Lukiko itself appointed the committee, there is still plenty of scope for opposition to its recommendations to be worked up by interested parties. It is also very unlikely that the average Buganda African will be able to dissociate any references to the office of Kabaka from the person of Mutesa II. To put over the proposals will need the most delicate exercise in public relations.

Arab Eyes Turn Westward

EVEN for confirmed pessimists, it is difficult not to see in recent events in the Middle East signs of a general trend more favourable to the West. The Canal settlement (if ratified), with the careful but less unconciliatory speeches lately made by Colonel Nasser and his colleagues, is one major element in this. The Persian oil settlement (if ratified) and the correct, even cordial, attitude of General Zahedi and his ministers is another. A third is the Turkish-Pakistani agreement, and the friendly interest in it taken by strong elements in the public life of an Iraq in which, moreover, an overwhelming electoral victory seems to have fallen to the forces of stability and moderation. In Syria the Shishekli regime, which had specifically refused all western collaboration, even in the economic field, has given way to forces that will almost certainly prove more realistic. The xenophobe party in Lebanon now has no parliamentary or cabinet representation ; and the recent Arab League resolution on the Anglo-Yemeni frontier trouble was studiously moderate.

It is entirely satisfactory that Iraqi-Egyptian relations should be, to all appearances, so greatly improved since the Canal obstacle, with its obsessive claims on Egyptian interest, has been got out of the way. And with the disappearance of the bone of contention labelled "Greater Syria," and of the Iraqi-Syrian coolness of Shishekli's latter days, more real unity in the League itself may at last be attainable. It may be some time before Arab statesmen can advocate the adhesion of their countries to any specific defence scheme linked with the West. But they can, in Cairo and Baghdad and Damascus, already go further than they could, in spite of all the anti-western rancour and soreness which it must take years to dissipate. The acceptance of arms, loans and benevolent missions is a beginning ; events such as Nuri's



vlsit to England this week are helpful, and the Canal withdrawal—and perhaps a fairly imminent settlement with regard to Shaiba and Habbaniya—renders the wearisome talk of "western imperialism" beloved of Arab leader-writers more than ever an anachronism. Yet it must remain difficult to visualise any dramatic sweeping away of Arab suspicions of the West while the issues between Israel and its immediate neighbours are kept so painfully alive by frontier frictions; and the recent representations in London by the ambassadors of the Arab states revealed how wide a gulf still remains to be bridged in this respect.

Mr Yoshida Sets Out Again

MR YOSHIDA is still due to leave Tokyo this weekend on his journey to Europe and North America. His trip, already once postponed, has again been the object of strong political opposition from the left-wing Socialist party and from the trade unions, many of them under Communist influence. There is a growing neutralist tendency in Japan, and the left wing has succeeded in provoking resentment at what it presents as the prospect of closer Japanese ties with the West, particularly with the United States. Moreover, for the trip to be frustrated again would be a distinct political defeat for Mr Yoshida's Liberal government; in June, the prime minister's departure was put off after a riot in the Diet which had been staged to protest, on the one hand, against Mr Yoshida's pro-American foreign policy, and on the other, against the reactionary repeal of the police reforms introduced under the Occupation.

Although Japan is a long way from accepting the views of its fellow travellers on foreign policy, such assiduous workers can hardly fail to reap some sort of harvest from the very fertile ground on which they are sowing their seed. But, considering the relative isolation of the Japanese from the new world that has risen since the war, the prime minister's journey is very much of a step in the right direction—and in more senses than one. He will meet not only American political leaders but also, it is to be hoped, as wide a cross-section of British opinion as possible. Mr Yoshida is due to go to Canada first and then to Germany, France, Italy and the Vatican, arriving in London about October 21st; from here, he sails for the United States.

Mr Molotov, meanwhile, has chosen the eve of the tour to make some highly scented replies to the carefully phrased questions sent to him by a Japanese journalist. Moscow has lately stepped up its propaganda in favour of closer Soviet-Japanese ties, and, among other things, Mr Molotov emphasizes Russia's "readiness to normalise its relations with Japan provided Japan displays a similar readiness." He adds that the main obstacle is "the fact that certain Japanese circles follow the dictate of US ruling circles which seek to keep Japan in the position of a dependent country." Apparently Mr Molotov has forgotten that, while the western countries have signed a peace treaty which restores Japan's sovereignty and independence of action, Russia has not.

Plain Words on East-West Trade

THE Strasbourg Assembly is to be complimented on the sensible resolution on east-west trade passed by an overwhelming majority on Wednesday. It rightly emphasises "the political effect of such trade" and declares the need for it "to be considered as part of the general policy of the West towards the Eastern bloc." These are admirable if obvious points, far too frequently ignored in Western Europe. It is particularly regrettable that two British votes—one Conservative and one Labour—were among the six cast against the resolution.

The Assembly proposes the creation of a central organisation, open to all western states, which would co-ordinate all trade with the East. The purpose is twofold: to restore the balance in commercial negotiations between the East's state monopolies and the private firms and individuals in the West; and to counter the Soviet bloc's familiar technique of playing one western country off against another, one group of businessmen against their competitors. If such a plan could be drawn up and made to work it would strengthen the West's hands both economically and politically; and though there are obvious practical difficulties, it is an idea well worth pursuing.

Some woolly thinking on east-west trade is creeping in again. Recently it was reported that the deputy president of the Associated British Chambers of Commerce had declared that "the biggest short-term hope for an expansion of oversea markets lay in an increase in east-west trading." This is an obvious exaggeration; moreover, nothing is said of the dangers involved. Has it been forgotten that the Soviet government summarily cut off its purchases of Australian wool because of the Petrov affair? Did British industry fail to see the connection between the break in the Anglo-Polish trade talks and the Klimowicz incident? Responsible leaders of British industry have a duty to warn businessmen of the uncertainties in east-west trade; the government has the responsibility of seeing that dangerous political consequences do not arise from sectors of industry and commerce becoming too involved in trade with the Soviet bloc. The Strasbourg Assembly was right in underlining once again that trade and politics are inseparable weapons of Communist diplomacy.

Roman Scandals

THE resignation of the Italian Foreign Minister, Signor Piccioni, in connection with the arrest of his son for complicity in the vast Montesi scandal, has been an unpleasant warning to the outside world of the weakness of the new Italy. Not even in the elections of 1948 and 1953 were there greater possibilities of a major turn for the worse. When the fate of Europe is in the balance, it may seem particularly wrong that the average Roman should be so absorbed in the Montesi case. But the luscious details which have emerged in an ever widening stream since the body of Wilma Montesi was found on the beach near Rome, seventeen months ago, are a symptom of something much more important than mere interest in the erotic pleasures of upper-class society. They have come to represent a grave and genuine liability to the existing regime. They have been skilfully used to further the Communist cause. And their political effects on the home front may end by outweighing for Italy the significance of its attendance at the nine-power conference in London.

Signor Piccioni's resignation from the Palazzo Chigi has in fact given outward form to the link between internal and external affairs. He himself was a keen supporter of European Union, and in that respect he reflected the views of the Scelba government as a whole. But the name of young Piero Piccioni has been coupled from the start with the Montesi scandal, and a more sensitive statesman than his father might have retired long ago. No one, however, expects the resignations to end with his or with those of the two senior police officials who have already been thrown to the wolves. It will soon be the turn of the guilty parties themselves. And there is little doubt that unedifying revelations are in the offing.

These developments can only weaken the Scelba government and, indirectly, the cause of European integration. The immediate gainers have been the Communist party. But, according to our Rome correspondent, the mudslinging will also further the swing to the left inside the Christian Democrat party under Signor Fanfani, the recently elected successor to Signor De Gasperi as leader of the party. He is not at present in the government, but he is probably the most powerful man in Italy. He is busy reorganising the party so that, after breaking up the right wing under Signor Pella and the moderate left under Signor Gronchi, he may be able to lead a compact phalanx to the polls next year. Then, it is believed, he hopes to raise the present Christian Democrat vote of 40 per cent to a clear majority. This is an astute but dangerous game. Signor Fanfani can pose as the reformer only by both denouncing his predecessor's errors and implying that his leadership would bring a new broom which would sweep far outside the mere confines of the government. It is true that the Montesi scandal may shortly emerge as a turning point in Italian politics. But the turning is not likely to be such as to give democracy much cause for rejoicing.

Equalisation and Inequities

THE purpose of the Exchequer equalisation grant is to assist local authorities whose rateable value per head is below the national average; one of the consequences of its operation has been to create a "burning sense of injustice" among those county boroughs that do not receive it. In a new memorandum of proposals to the Ministry of Housing and Local Government, these disgruntled authorities have pointed out that rateable value is a poor guide to the actual wealth or poverty of a local authority. Nor do they believe that the situation will be wholly rectified by the uniform valuation of property throughout the whole country that the Inland Revenue is to undertake before 1956. This new valuation will be based mainly on rents prevailing in 1939; but unfortunately rents of similar houses varied from area to area at that time for numerous reasons that had little to do with the actual incomes of their inhabitants. Valuers have been given some discretion to correct anomalies of this type; but they will not remove all of them.

In the tangled morass of local government finance, any relief to the poorer authorities is bound to be the roughest of justice. The present system is no rougher than most. The list of county boroughs that do not now get any grant—it starts with Bath, Blackpool, Bournemouth, Brighton, and Bristol—seems *prima facie* to consist of the wealthier towns; there are some anomalies later in the list—for example, Newcastle and Manchester are among the have-nots, while Birmingham gets a grant—but oddities such as this would appear under any system. There are certainly some points of detail, as a Government investigating committee pointed out last year, on which immediate improvement would be possible. But the Minister has used the convenient excuse of disagreement among the local authorities to defer action for the time being.

However, it is none too soon to prepare for the overhaul of local government finance which must accompany the 1956 revaluation. The Exchequer grant must then be put on a broader basis and it would also be much wiser to make the grant a fixed proportion of total local government expenditure, instead of adjusting it to the actual expenditures (and hence possibly the extravagances) of individual authorities. But the more fundamental need is to provide local authorities with greater financial independence; and in this context proposals for rerating industry and agriculture deserve speedy and sympathetic consideration from the Government.

The Elusive Scientist

FOR the second time in a few weeks an authoritative body has proclaimed the need—Burnham Committee or no—to pay higher salaries to science teachers. In August a committee set up by the Federation of British Industries made some bold proposals for new salary scales that would lessen the wide gap between the earnings of scientists in the schools and the earnings of scientists in industry—not at the beginning of their careers, but in later life. Now the Advisory Council on Scientific Policy, in its seventh annual report,* urges again that if a remedy is to be found to the shortage of scientists, it must be found at the beginning of the production line, in the schools, where the problem is one of quality as well as of quantity. There is no escape from the logic of the price mechanism.

The report touches on many problems, but almost half its length is devoted to the shortage of scientists. The council expresses concern that the proportion of university students in the pure and applied science departments rose from 31 per cent in 1947 to only 33 per cent in 1953 and that these departments are now doing no more than maintaining their student numbers. Not many more potential science students are to be found in the sixth forms of maintained grammar schools, where the proportion studying science is already as high as two-thirds. There is more scope for a higher proportion in independent schools, which still tend to direct most of their brightest pupils into the arts. But the main source of more science students is an increase in the number of pupils who stay

* Cmd. 9260. HMSO. 1s.

at grammar schools until they are 17 or 18. The council refuses to be consoled by the fact that more of them do so each year: 23,000 in 1950 and 27,000 in 1953. It declares that this rate of increase is nothing like fast enough. A report on early leaving, just completed, though not yet published, by the Central Advisory Council for Education in England may have some interesting recommendations in this connection.

The scientific advisory council, on the other hand, refuses to be alarmed at the supposed exodus of British scientists to posts abroad, particularly in the United States. It is reassuring to learn, for example, that between 1947 and 1952 the university chemistry departments lost only 43 of their staff and research students to permanent employment in the United States, a number that represents only about 2 per cent of the country's output of post-graduate chemists.

A Chattel or a Trust?

ADOPTION has become, in recent years, more than a fashion. It has been described as a passion. Adoption orders granted in England and Wales rose from 3,000 in 1927 to 21,000 in 1946. The annual average is now about 14,000. The demand by would-be adopters far outruns the supply of available babies. In London alone it is estimated that ten approved couples are waiting for every baby suitable for adoption. The fact that these babies are so small a proportion of the country's homeless children, does not make their needs, or those of the many childless homes, any less urgent.

The appointment of a departmental committee, under the chairmanship of Sir Gerald Hurst, to look into present adoption law and practice, was widely welcomed—especially by those closely associated with adoption work, who have long felt that the present law, concentrating as it does on the "rights of the parent," often fails to achieve the welfare of the child. The report of the Hurst committee does not suggest any radical changes in the law. It aims at improving working of existing machinery. If, however, its recommendations are accepted, some of the present legal obstacles to adoption will be removed. Most welcome is the recommendation that the court should be able to dispense with the consent of the mother to the adoption of her child, if in the opinion of the court the parent "has made no attempt to discharge parental responsibilities." This would greatly benefit the many children, now in institutions, whose parents never visit them or even write to them for months and sometimes years. These same parents are able now to cling grimly to their "parental right" and refuse consent to their children's adoption. If this proposal becomes law, the old negative clause about "unreasonably withholding consent" would be dropped.

The main recommendation of the report is one that would empower local authorities to act as adoption societies, working through case conferences. The importance of employing highly trained and skilled staff in all work of supervision and visiting is emphasised. The position of the child placed privately by its parents or by a "third party" would be safeguarded by the proposal that such placings should be notified to the local authority, both by the "third party" and by the prospective adopters, fourteen days before the child is placed in its new family. The committee decided that it would be neither wise nor practicable to prohibit altogether adoptions arranged in this way, which account for one-third of all adoptions; but its recommendations should ensure that the chances of harm to the child arising from private placing should be much less than they are at present.

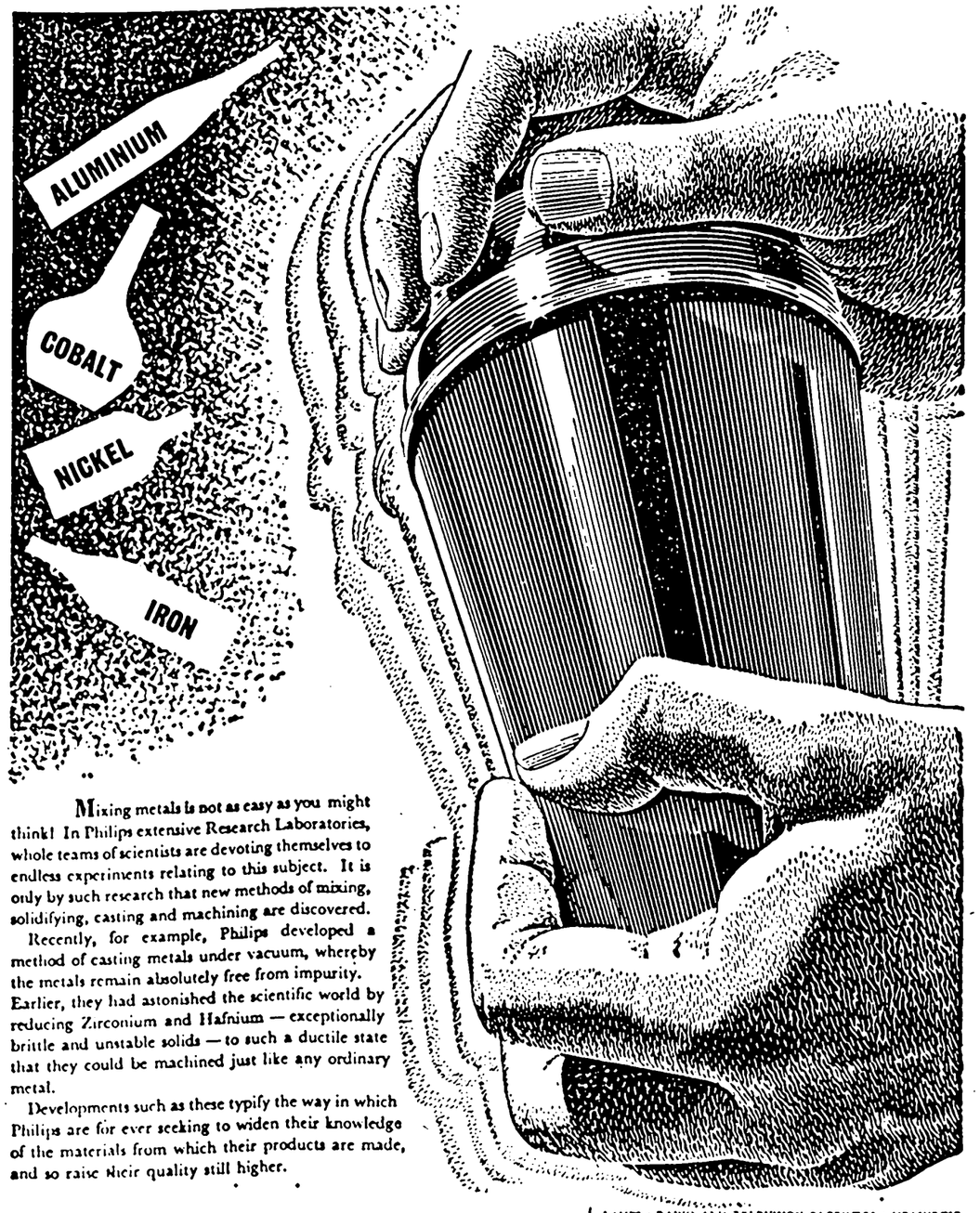
Dutch Budget Under Blue Skies

DUTCH budgetary methods are in sharp contrast to British procedures. The budget presented on Tuesday was for the financial year beginning next January 1st. The revenue changes that the Finance Minister suggested have yet to be translated into Bills which will be put before parliament during the coming year, and they will only have effect from January, 1956. The Dutch taxpayer must, therefore, wait another fifteen months for substantial cuts in taxation totalling 500 to 550 million guilders (about £50 million). Whether he will be tempted to anticipate his windfall is a question that must puzzle the statisticians in The Hague. Clearly, however, no Dutch budget can acquire the same atmosphere of drama as the British.

Both the Queen's speech and the budget message breathe an air of confidence, indeed of success. National income has risen by five per cent; industrial production is up; employment is high—too high, in fact; and the balance of payments position remains sound. State revenue has, therefore, been buoyant, and since there are no immediate signs of returning inflation it was right and proper of the Minister to cut taxes. This time he has chosen to put the money directly into the pockets of the consumers. Pay-roll taxes and income taxes are expected to be reduced by some 210 million guilders. In part this will merely be compensation for the second general rent increase anticipated next year; but the wage-earner can expect another increment from the 6 per cent wage increase recommended by the Foundation of Labour. Consumers will gain also by changes in purchase tax that will cost the exchequer about 180 million guilders. Industry will get little direct benefit, although it will welcome the release of spending power. However, half of the special defence tax imposed in 1951 will be remitted at a cost of 60 million guilders. No remarkable changes in state expenditure are anticipated, though defence spending has been levelled off at 1,350 million guilders (£127 million) a year. A budget deficit of 568 million guilders (£53 million) should not prove difficult to cover in the present liquid state of the capital market.

There are, in fact, few economic clouds over the Zuider Zee at the moment, and those on the horizon are only mildly threatening. The housing shortage remains the most pressing problem. The government promises a new drive. Shortages in the labour market—an exceptional problem for the Netherlands—hold out the danger of inflation-breeding bottlenecks. No doubt the government will cast its eye over the emigration programme. The foreign trade position, though comfortable at present, is never entirely certain. Like Britain, the Netherlands has to be on the alert for adverse changes in its export markets, and is kept on its toes by those fickle creatures, the terms of trade. These, how-

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Travel

and the BALANCE OF POWER

IN THE BUSY INDUSTRIAL NORTH, trains running from Manchester to Sheffield will soon be electric. In the Southern Region, plans are well advanced for the electrification of 200 more route-miles, covering extensions from Gillingham and Sevenoaks to Ramsgate, Folkestone and Hastings. And in the Eastern Region, the Liverpool Street–Shenfield system is to be extended to Chelmsford and Southend. More plans will follow.

There are good reasons for using electricity on the railways. Electric trains are clean, powerful, fast — and they use the nation's coal resources more efficiently. Greater use of electricity for transport is good news for all consumers of electricity. Why?

It's a matter of balance. As more electricity is used in more ways, the different loads — occurring, in the main, at different times of the day — keep the generating plant more fully employed. And continuous full output from the power stations helps to reduce the cost of electricity.

SIX YEARS' PROGRESS — BRITISH ELECTRICITY — 40 NEW POWER STATIONS

80% MORE POWER



A Way Found Out

'I HAVE OFTEN THOUGHT', said the inventive English genius, Dr. Robert Hooke, 'that probably there might be a way found out, to make an artificial glutinous composition, much resembling, if not full as good, nay better, than that Excrement, or whatever other substance it be out of which, the Silk-worm wire-draws his clew'. That was in 1665, but two hundred years were to pass before the scientists' search for ways and means of producing textile fibres artificially began in earnest. Today, we may be thankful that their quest has been successful, for the demand for textiles now tends to outstrip nature's own resources of the cotton plantation, the silkworm and the sheep. Noteworthy among the new man-made fibres of today is one perfected in the laboratories of I.C.I.'s Nobel Division. Known as 'Ardil', this new fibre is soft and warm—and unattractive to moths. Fabrics containing it are endowed with a silky, smooth handle, and a friendly 'feel'. Equally important is the fact that 'Ardil' is available in exactly the deniers and staple lengths that the textile manufacturer needs, while its price is low and stable.

A new I.C.I. factory, built at Dumfries at a cost of £3,000,000, is capable of manufacturing 'Ardil' staple at the rate of 20,000,000 lbs. a year. The staple goes to the spinners to be blended with other fibres and to be spun into yarn; the yarn then goes to weavers, who transform it into fine, soft fabrics, which can be made up into coats and suits, and warm, light-weight winter dresses, or—such is the versatility of 'Ardil'—into carpets, blankets and rugs.

'Ardil' is made, by a complex chemical process, from the protein of the groundnut, which grows abundantly in many parts of the Commonwealth. It is, therefore, not only an outstanding new material for the textile trade but an example of how I.C.I. research and development are helping to put the natural resources of the Commonwealth to fuller use.

Imperial Chemical Industries Limited — ICI

ever, are problems of another day, and the Dutch government can feel justified confidence in the solid appearance of the country's finances and the rosy economic outlook.

China's Useful Weakness

CHINESE propagandists often dream aloud about the industrialisation of their country, but they seldom back these dreams with hard facts and figures. Peking has now finally produced a report on the economic development in 1953, the first year of the Chinese planned era. The pace of industrial progress, however, is camouflaged by cryptic and almost meaningless percentages. Indeed, the only absolute data given refer to agricultural production, and even these are of a very general nature.

It is claimed that in spite of poor weather conditions last year's grain harvest was slightly higher than in 1922. The wheat crop was unchanged but rice yield apparently increased, though not substantially. The total output of food crops is put at 165 million tons. Cotton production, on the other hand, fell to 1,170,000 tons. Only very moderate increases are claimed for livestock, and altogether the agricultural progress report sounds a very modest note.

About industrial production there is more optimism but even less information. One may be confirmed in the belief that the Chinese planners are still going ahead with the idea of building their main industrial base in the north-eastern part of the country, but nothing concrete has been disclosed about either the actual or the planned rhythm of development. Impressive percentages are linked to an unknown base-year. All that is certain about output in 1952, on the eve of the five-year plan, is that it was ridiculously low for such a vast country. Paradoxically, this economic weakness may be one of the sources of China's boldness on the international stage; China still presents very few objectives vulnerable to nuclear or even conventional bombing. There may be solid support here not only for the common assumption that more industrialised Russia is the more sober partner in the eastern alliance, but also for the interesting speculation that China will become less truculent when it has more to lose.

Doves Over the Baltic

NOWHERE has the "post-Geneva mood" been more vigorously exploited by the Russians than in Scandinavia. Soviet warships have paid unprecedented courtesy visits to Stockholm and Helsinki, and great pains have been taken to see that their crews left a good impression. Mr Molotov has attempted, with very limited success, to win from the unhappy Finns some degree of approval for his "European security treaty"; and President Paasikivi has been awarded the Order of Lenin (whose only other non-Communist recipient was the luckless King of Rumania). Instead of shooting up Danish fishing vessels and shooting down Swedish flying-boats, the Russians have been offering to co-operate with Sweden in joint air-sea rescue arrangements. Last week this new atmosphere of summary calm over the Baltic was disturbed by reports of an unidentified submarine being detected uncomfortably near to Stockholm; and there have also been stories of Norwegian vessels drawing warning shots from somewhat trigger-happy Russian sailors in the Gulf of Finland and in Arctic waters. But these incidents marred rather than mitigated the new peace offensive across the narrow Baltic.

Its most colourful expression has been a "peace cruise" by the Polish ship *Batory*—best known, in the outside world, for the series of appeals for political asylum in the West made by members of her crew, including one former captain; the twelfth of these refugees walked into a London police station on Wednesday. A few weeks earlier, the *Batory* was taken from her regular service routes—the loss being presumably made good by the Polish taxpayer—to make a leisurely trip round the Baltic, calling at Scandinavian, Polish, and East German ports, and then visiting Leningrad, with some 560 "peace partisans" from Sweden, 110 from Finland, 80 from Denmark and 20 from Norway on board. Thousands of people were mustered to give them an impressive welcome at Leningrad, and according to Tass the air was thick with doves. Only one thing has marred this festive programme: the resounding apathy which has been the reaction of the vast majority of Swedes and other Scandinavians.

Expedition to the Crimea

After our remarks last week upon the expedition to the Crimea, our readers would be prepared for the satisfactory news which have been received of the safe landing of 58,000 men on the shores of that Peninsula. . . . An impression gains ground both here and abroad that the Russians will not be able to offer any serious resistance to the operations and the plans of the combined army of the allies; and that, in consequence of feeling how entirely inadequate they are to a successful resistance, they will rather retreat and leave their invaders in the undisputed possession of the Crimea. It has long been foreseen that one of the most effective means of defence which Russia could offer . . . would be to retreat with her army beyond the inhospitable steppes which extend across Southern Russia, and coil herself up within her own fastnesses, within an immense territory which would be clearly inaccessible to any foreign army. Some months ago, we discussed such a policy on the part of Russia as being not only probable, but if resorted to, as one of the most difficult for the Western Powers to cope with. Except on the shores of the Black Sea and the Baltic, Russia may consider herself safe against a foreign enemy, so long as the German Powers are nominally at peace with her. And it must be admitted that there are few powers in the world who are so independent, under the actual circumstances of the country, of external communication, as Russia. We may destroy her forts, her ships, her naval power—all of which, for any useful purpose, have been in abeyance during the whole of the present season—but so long as she has so large a territory bearing so fruitfully all that is required for the rude diet and the ruder clothing of the people and, especially, so long as her surplus produce finds an easy road to the markets of the world over her extensive western frontier through Germany, Russia may . . . refuse to treat, and abide the chance of events. . . .

The Economist

September 23, 1854

Dangerous Figures

STATISTICS can be useful, boring, or dangerous. Mostly they are dangerous. Such is the case with a publication put out last week by the Organisation for European Economic Co-operation (OEEC). It brings together within a single volume estimates of the national product in twenty countries, which, though they have been previously available, have been scattered over many different sources.

For the economically sophisticated it is a valuable book; but there are pitfalls which, in spite of a warning in the introduction, have already trapped many of the unwary. Some people, assuming these to be an entirely new set of figures, have made the mistake of thinking that totals on the same line across the same table are fully comparable. This is not so with direct comparisons of national products, since the normal method, as used in the present OEEC study, is to convert totals expressed in national currencies into a common unit (dollars) by the simple but deceiving method of applying the official exchange rate. Moreover, comparisons of percentage changes in national product per head, capital formation or other components of the national product in the different countries are not especially meaningful, because an arbitrary starting point, which might have been a year of great prosperity in one country and depression in another, has to be taken as the base.

There are important uses to which these tables can be put; but it is a mistake to read more into them than the figures and the method of their presentation permit. It is wrong, for instance, to attempt direct comparisons of real national product. Several months ago the OEEC published a pioneering study which, if fully developed, would make these comparisons possible. Unfortunately, judging by the rash conclusions that have generally been drawn from this latest and less sophisticated document, most people must have written off the earlier and more penetrating study as a waste of time.

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Correction.—On page 727 of the issue of September 4th, the marriage rate in Ireland was stated to be only about one-third of that in the United Kingdom. Owing to the fact that the Irish statistics record numbers of marriages and the British ones the numbers of persons married, the ratio is, in fact, about two-thirds.

Letters to the Editor

Malaya's Rice

SIR—I read with interest the article in your edition of August 28th and Mr O. A. Spencer's reply.

Criticism of control of rice after the need for control has ceased applies generally and not solely to Malaya. Government intervention has led to a paradoxical situation in which rice prices reached fantastic levels, as Mr Spencer admits, while large unsold stocks are rotting. It is true that other Asiatic countries are also buying on government contracts, but there is no indication that HMG, which freely intervenes in South East Asia's rice affairs, seeks to dissuade them from a policy which recently has brought much benefit to sellers and little to buyers. In any case the relations of certain of these buyers with the governments in the exporting countries concerned differ in many respects from ours. It is undeniable that Malaya at a time when she was overstocked with rice was buying large quantities for future delivery on a falling market. While, therefore, there may be differences of opinion regarding the necessity for continued Government control, the claim in the White Paper that this control has succeded in safeguarding supplies at the minimum cost is altogether unfounded. —Yours faithfully,

HAROLD SANDERSON

Sevenoaks, Kent

A Vote for Paralysis

SIR—May I express the mixed feeling with which I have read your article "A Vote For Paralysis"?

We French want peace. Three times in eighty years Germany has plundered and ruined us. For eight years we have fought in Indo-China. We think Communism is a system of ethics which cannot be destroyed by arms. We feel that if we were Russians we would require guarantees before allowing the reunification of Germany which has plundered Russia twice in fifty years and killed eleven million of its people less than ten years ago. We also admit that Germany wants to be reunited. But we know that if you give arms to the Germans they will use them to unite Germany and roll back the Oder-Neisse line. We French cannot back German rearmament before we are satisfied that all chances of agreement with Russia have been exhausted.

If there must be a German army, let it be "world-controlled." Would you English with your Commonwealth responsibilities ever resign your sovereignty or control over your forces? We have our Union Française and why should you urge us to do what you would never consent to?

So why attack the first French premier who has allowed the question to be put to the Assembly? His predecessors misled you about the true state of French feeling.

We are as good Europeans as you. And if you are, why don't you join us? —Yours faithfully, MAURICE VOREUX

Roubaix.

★

SIR—It has seemed clear for many years to those who have supported a closer British integration with Western European States in the political, social, economic and military fields, that the EDC project would fail without an assurance of close British participation. The French, without Britain, fear German domination of the proposed European Army. The EDC plan has now collapsed because the French could not accept it without the British participation that Mr Churchill's famous speeches of 1946 had led them to expect.

Although the British argument is that Commonwealth and Imperial ties make impossible too close an association with EDC, the argument has already been belied by two wars. We cannot fail to go to the assistance of France if assailed and in two wars we have, eventually, accepted integration and a supreme foreign command of our armed forces. Past experience suggests that what we should have to do in any case in event of war, we should do now in peace and comparative comfort instead of improvising in emergency.

Few in this country understand the debilitating impact of the Nazi regime and the war on the social and political morale of France and Germany. It is not sentimental to say they need sincere brotherly leadership from a country not so contaminated as themselves. We are the country best fitted to give it and to act as a catalytic agent between two communities who will otherwise drift dangerously apart. Our opportunity is great and it is not yet too late. The opportunity is ours and much of the blame will be ours if the chance of this century to secure peace and reason in Europe is thrown away.—Yours faithfully,

Kew, Surrey. D. K. WINSLOW.

The Politics of Cocoa

SIR—In your issue of September 11th your Gold Coast Correspondent supports at length the restriction of the price paid to the producer of cocoa to £134 a ton, which is about one-third of the market price. The rest is taken in export duties and does not reach even the Marketing Board. The principal arguments advanced are that a higher price would not increase output; and that it would lead to inflation, while the restriction of the price increases the rate of saving and thus serves to develop the economy. Even the pretence of stabilisation has been abandoned as a justification for the drastic policies.

(1) The suggestion that output is unaffected by price postulates wholly abnormal conditions of supply which would apply, if at all, only when producers cannot shift between activities and crops, which is certainly not the case in West Africa. Output, especially in the long period, is necessarily largely a function of price, since the establishment of new capacity and production for the market are not profitable in outlying areas unless the price after covering transport costs still yields a return more attractive than can be secured from other activity. If the output of export crops did not respond to prices it would be impossible to explain the rise of the West African export industries. For cocoa this elementary general analysis has been overwhelmingly confirmed by specific evidence of various official and unofficial surveys. Amidst the mass of figures quoted by your correspondent there is somewhat surprisingly no reference to the relation between the producer price and the market price, nor to the rise in the price of imports since before the war. Since the start of statutory marketing in 1939 the producer has received on the average one-half of available proceeds; now he is to be restricted to one-third. This cannot fail to affect output.

But even if it were true, as it is not, that output is unaffected by price, this would still not justify the under-payment of the producer. Is it suggested that when workers respond to higher wages by working less (i.e. take out some of their higher income in the form of leisure) their wages should therefore be reduced?

(2) Your correspondent writes: "If a higher price is paid to the cocoa farmer, the immediate result is inflation. If the balance is retained by the Government, it is available for productive investment to strengthen the base of the economy." Control of inflation and compulsory saving belong to the sphere of general fiscal policy to enable their burden to be distributed over the community as a whole. The prolonged under-payment of producers by statutory bodies, ostensibly established to promote their interests by stabilisation, has brought about the imposition of a wholly disproportionate burden on these producers in the pursuit of these policies. Indeed the entire burden of these policies falls on the producers of export crops. In the Gold Coast the exemption limit for income tax is about £300 a year while taxpayers with £1,000 a year pay 1½ per cent and with £10,000 about 31 per cent. Compare this with the position of the cocoa farmer. A recent official survey in Nigeria found that in 1951-52, when the producer price was £170 a ton, the gross proceeds of most of the cocoa farmers were not more than £50-£60 a year. In the Gold Coast the producer price is £134 a ton and the farmers' proceeds are therefore likely to be less; their net incomes are, of course, much lower still. Yet about two-thirds of the average proceeds are to be withheld from them. It is also of some interest that the surplus of the Cocoa Board and the proceeds of the cocoa export duty greatly exceed total government gross capital formation in the Gold Coast. The sacrifices are not borne by those who so warmly advocate their imposition.

The alleged inflationary effect of a higher producer price is much more complicated than suggested by your correspondent. If imports are freely available (i.e. unless the United Kingdom refuses to make supplies available to the Gold Coast or the foreign exchange necessary to buy them), an increase in producer prices will not raise internal prices greatly but will chiefly bring about increased imports. Of course, as long as producers spend part of their higher incomes on local products there will be some increase in the cost of living. This may even be desirable. The rate of exchange between the West African £ and sterling is fixed. An improvement in the terms of trade of the local population postulates a rise in local prices and incomes relatively to import prices. Only thus can the local population buy more imports with the same amount of work. In these conditions the higher cost of living is part of the process of readjustment of the structure of incomes to higher levels when terms of trade improve and the rate of exchange is fixed. But although these changes may be necessary they raise great political difficulties chiefly because the urban population is much the most influential section of public opinion and naturally resists any changes affecting them adversely, even though their incomes are generally far higher than those of the rural population, including the cocoa farmers.

Your correspondent implies that cocoa farmers do not save or invest. This disregards the enormous cocoa acreage; the establishment, improvement and extension of holdings is a most important form of saving and investment in under-developed countries. Much of the discussion of capital formation in under-developed countries is vitiated by the disregard of this form of investment. The ready sales of equipment by merchant firms to private purchasers also confirms that the population is prepared to save and invest. These forms of investment may well prove more productive than the accumulation of sterling balances or some of the large scale public projects which in under-developed countries especially so often take the form of conspicuous rather than productive investment. The under-payment of producers also retards the spread of the money economy by adversely affecting new planting. Thus even though compulsory saving may raise the proportion of income saved, the growth of income may be retarded and its level reduced by the particular form of compulsory saving.

Since 1939 the retention of a large proportion of the sale of proceeds from export producers has made private saving difficult, if not impossible, for very many, particularly in view of the rise in import prices. This may well prove to be the most important and serious long-term result of the operation of statutory marketing.—Yours faithfully,

P. T. BAUER

Gonville and Caius College, Cambridge

The Price of Drugs

SIR—Your recent article on the cost of drugs suggests to those who have spent a lifetime in the pharmaceutical business that, as with the roads, the Government is failing, most lamentably, to take the long view.

From what the chairmen of the larger pharmaceutical companies have said publicly, it is clear that if the Government insists on a system of rigid price control, then pharmaceutical research in this country will come to an end. In the main competing countries where the same control of profit is not envisaged, and especially in the United States, Germany and Japan, chemotherapeutic research will thrive. Those in this country responsible for the marketing of those new products will have no option other than to sell at world levels for those products of research. No manufacturer abroad could allow a state of affairs to exist where his specialities were selling in the United Kingdom at lower prices than elsewhere.

Because of recent changes in the patent law regarding medicinal products, the argument of the British Government might be that we will deal with this situation by making the drugs ourselves through the grant of compulsory patent licences, either to Government-owned or Government-sponsored organisations. Not only would this step be criticised most severely in the countries in which the inventions were made, but the authorities in those countries would have to take counter measures which would allow the grant of compulsory patent licences in their countries, not

only for drugs and processes for making drugs but for all products.

It is agreed that this country can remain economically solvent only if we are able to continue to produce goods that are technically in advance of what are produced elsewhere. In the main, those technological advances are safeguarded by patents taken out in those countries to which exports are planned. If conditions arise whereby we are no longer able to secure adequate patent protection, then the scientific and technical advances in our industry will be incapable of proper exploitation abroad.

The Government, before embarking on price control in a limited field, should think carefully about the long-term repercussions that will affect industry as a whole.

There is one very simple and fair solution to the cost of drugs problem in the national health service. Other countries insist, for the imposition of duty, on the disclosure of a current domestic value. In the domestic market, the Ministry of Health should insist upon manufacturers providing an undertaking that they were not offering their products under the national health scheme at prices higher than the "current export value."—Yours faithfully,

JOHN COCHRANE

Hazlemere, Bucks

End of the Vargas Era

SIR—Your comment of August 28th suggests that a military government may assume power as a result of the latest developments or of popular uprisings in the interior. However, at present there is not the most remote possibility of the formation of a military *junta* on the lines of the well-known *pronunciamentos* that still occur in certain South American countries. Despite the fifteen-year hiatus in democratic progress caused by the introduction of the *Estado Novo*, Brazilian political tendencies reject any form of arbitrary government, and the armed forces today constitute the chief support of the democratic regime. Within one decade they have had two opportunities to seize power: in 1945, when Senhor Vargas's autocratic rule was broken, and again this August. In 1945 the armed forces entrusted the government to the president of the Supreme Court, and this time they have called upon the Vice-President.

Nor need a Communist rebellion be feared, for the Communists have neither the human nor the material resources for such an adventure. The workers will probably press with more vigour the claims which were not successful under the previous government, but the new government is ready to consider reasonable demands arising from the economic crisis.

Despite the unfavourable economic situation, Brazil offers very good opportunities for foreign investment in both new and existing industries, for it is certain that the political instability of the present moment, which is partly due to the approach of the parliamentary elections, will not affect the conditions that favour such investment.—Yours faithfully,

SEBASTIAO VEIGA

Rio de Janeiro

Why America Did Not Slump

SIR—I cannot resist the temptation to get with one stone two birds who wrote in your issue of August 28th. Mr P. A. Wilson attempts to belittle your journal's previous reference to the part which confidence played in averting a slump in the United States during 1953 and 1954. Had Mr Wilson been close to America during the two slight recessions of 1948-49 and 1953-54, he would have been well aware of the immense influence thereon of lack of confidence in the first case and of confidence in the second. In 1948-49, Americans were literally searching for the expected postwar slump around every corner, and they quite expected its proportions to compare with those of 1930-33. Hence there was prevalent a general expectation that prices and values would fall precipitately, which in turn led to marked consumer resistance, and to what was in fact a minor flight from the US dollar. The first result was only slowly checked by the Truman Administration's pump-priming activities, and finally by realisation of the inflation generated by the Korean war. The second was evidenced by the entry to Canada of some US $400 million in the fall of 1948, somewhat to our embarrassment, due to its inflationary pressure. This latter did not in the ordinary sense increase American external investment, although figures could only show it as such—it was "hot" or "*funk*" money with no mistake about it. It thus reflected lack of confidence.

How different was the situation a year ago? When an over-accumulation of inventories led to a reduction in the gross national product, there was no general expectation of lower prices or, shall I say, of a sufficient fall in prices to merit waiting for. A slight fall in consumer demand reflected very temporary saturation in several lines rather than price resistance—this in spite of the fact that the Eisenhower Administration was previously known to be committed to a reduction of Government expenditure in an attempt to balance its budget, and practised no pump-priming other than influencing lower money rates. Here were circumstances more favourable than those of 1948 for lacking confidence, yet none was shown except by a small minority of the less stable of the Wall Street fraternity, many of whom doubtless had their own good bearish reasons to talk depression. As always, figures can only tell part of the story.

The immeasurable and intangible factor of confidence appears to present an insoluble problem for Mr John Strachey, according to his letter in your same issue—how to maintain confidence and remain Left at the same time—poor Mr Strachey. Could he not answer his own challenge to *The Economist* to produce a policy for the Left which does not involve re-distribution of wealth? He has only to look at Canada to observe the minimum of re-distribution and the function of the second highest living standard in the world. Over the last twenty to thirty years we could not re-distribute wealth because we lacked sufficient developed wealth to re-distribute, so we just distributed more to all as we created it. More recently, we have penalised high incomes, but not to the extent where new millionaires are not being made quite frequently, while most everybody else, at least considers himself an owner or a potential owner of wealth—in other words, a capitalist or a potential capitalist. Mr Strachey could learn from us how to benefit all the people instead of obstructing all by trying to benefit only a certain class at the expense of the others. Flirt with confidence, Mr Strachey—she's quite a girl who for you could solve an otherwise insoluble question, but you will have to put your country before your party before you can date her. If you can do that, Britain's enduring tolerance of the existence of your Socialist party will have proved its wisdom.—Yours faithfully,

JOHN R. HORNE-PAYNE

Vancouver

Sharing the Atom

SIR—Some of your readers may have drawn a false impression from the statement in last week's article that "the United States is to co-operate with Canada in setting up an atomic plant on Canadian soil." Canada's first low-power reactor was completed in 1945; the second, known as NRX, has been in operation since 1947, and in 1949 the then Director of Reactor Development of the US Atomic Energy Commission stated that "the reactor of the most advanced design and performance is in Canada." A third reactor, called NRU, is now under construction, and its completion in early 1956 is hoped for.

What the United States is doing with Canada is to start working out its first "agreement for co-operation" under the new Atomic Energy Act. The contractual agreements between the two countries for the exchange of materials are also being reviewed. Canada sells the United States uranium oxide, and buys it back in the form of uranium rods which form fuel for Canadian reactors. As soon as the new reactor, NRU, is operating, the United States will also buy back irradiated rods from Canada which it can then process into plutonium.

Canada is also obtaining some equipment for the new reactor from the United States, but its design and operation are wholly Canadian. Because of US secrecy imposed until now, Canada has been unable to draw on US technical experience, although it has benefited from a continuous free exchange with Britain.—Yours faithfully,

YOUR CANADIAN CORRESPONDENT

Ottawa

Books & Publications

Popular Despot

LOUIS NAPOLEON AND THE SECOND EMPIRE.
By J. M. Thompson.
Basil Blackwell. 354 pages. 32s. 6d.

THOSE who believe that French history since 1789 holds a key to present-day France cannot help but turn to the period of the Second Empire between 1852 and 1870. After the relative stability of the *ancien régime*, the country that Carlyle called "vapouring, vainglorious, gesticulating, quarrelsome, restless and over-sensitive France" saw a succession of revolutions and constitutional experiments. The release of the people from one form of slavery in 1789 had seemingly submitted them to another. Underneath the surface there were inner weaknesses in the constitution of society.

One way of looking at Napoleon III is as a symptom of some of these weaknesses. Another is as a product of the romantic movement. His own life was full of romance. A poor, unregarded political prisoner eventually made himself into an emperor, and then lived to return again into a private life of insignificance at Chislehurst. In the interim he had become the first exemplar of that new and dangerous phenomenon—the democratic despot. Possessing enough of the authentic Napoleonic *flair* to seize on the fact that Frenchmen were more interested in equality than in liberty, he took real pains to foster the welfare of the poor, and succeeded in purchasing what seems to have been the enthusiastic co-operation of the common people in Bonapartism. This in all likelihood will prove the chief interest of his history to most readers today.

It has often been regretted than Mr F. A. Simpson lost heart thirty years ago and left incomplete his fascinating study of Louis Napoleon. Mr Thompson's new book is on a slighter scale, but does at least cover all the ground. It is not quite so authoritative as his own earlier books on the French Revolution and Napoleon Bonaparte, for he now moves less surely among his sources. What he gives us is a clear, straightforward political narrative which is easy to follow. Mr Thompson is not at pains to challenge accepted views, to suggest lines of controversy or to search out enigmas; nor is he much concerned with the cultural and social history that is usually invoked to give this period more life and significance. He is least successful (as others have almost invariably been) on the Emperor's Italian policy, and here many chronological errors have slipped into the text. His best chapters are those connecting up Louis with his greater uncle, and describing the influence of the Napoleonic idea on French history. Then the years leading up to the *coup d'état* of 1851 give the dramatically exciting story of how this exiled adventurer with his German accent, financed in part by the city of London, forced his way to power in France. Thereafter the tale becomes more prosaic.

The conclusion is that Louis "was a man too small for the great things he set out to do." Rarely was his policy consecutive or clear. When the end came in 1870 at Sedan, it is suggested that this was due more to the irresponsible folly of Louis than to the knavery of Bismarck. Mr Thompson is one of those historians who says he likes leaving the verdict to the reader; but he makes it hard to escape conclusions about the inherent weaknesses of dictatorship, and about the more general political weaknesses of modern France.

A Too Ingenious Paradox

INFLATION AND CAPITAL.
By F. V. Meyer.
Bowes and Bowes. 75 pages. 12s. 6d.

MR MEYER has a new way of estimating the national capital, by capitalising the portion of the national income that represents wholly or largely the earnings of capital. Unfortunately it is not a very good way. It suggests that the real value of the national capital at home fell by 30 per cent in the seven years between 1939 and 1946, when we were devoting so many energies to blowing capital to pieces; and then suggests that it fell by another 30 per cent in the six years between 1946 and 1952, when we were devoting some of our energies to building capital up again.

It is not fair to Mr Meyer to proceed to the deduction that, whether we have a hydrogen bomb war or not, we will soon have no roads, buildings or machinery left. Part of the oddity seems to arise from the fact that recent investment has gone largely into forms of capital that are cheap in relation to the general price level and into what Mr Meyer calls "shorter-lived" capital; he may have the germ of an important point here, and when he has made a correction for it he finds national capital (at constant profitability, in £s of 1952 purchasing power) to have been £50,515 million in 1938, £37,802 million in 1946 and £35,505 million in 1952. Even this suggested trend, however, is plainly too gloomy. The hard fact is that in a world of differing balance sheet conceptions, of trade unions, political pressures on the price system, and differing degrees of capital utilisation (which do not, contrary to Mr Meyer's assumption, lead automatically to neatly proportional changes in an asset's life) changes in reported profits are not accurate measures of changes in the capital stock from which they come. These misfortunes rob most of the value from this otherwise brave statistical exercise.

Westwards from China

SCIENCE AND CIVILISATION IN CHINA: *Volume I: Introductory Orientations.*
By Joseph Needham.
Cambridge University Press. 356 pages. 52s. 6d.

IT seems quite extraordinary that one man (with whatever competent help) should set about obtaining a thorough grasp of the vast mass of writings on almost every subject in which may be imbedded some nugget of information bearing, directly or indirectly, on the subject of science and civilisation in China. The material includes not only what has been produced in China through more than two millennia, but also the works of Sinologists in several Western languages in the last two centuries and more—not to mention writings in other Asian languages. That the results should eventually fill seven large volumes is not surprising; but it is remarkable that, after carefully evaluating the reliability of all these sources, the author's findings should be presented so lucidly. Indeed, there are in this volume not more than one or two paragraphs that present any difficulty to a reader completely without scientific training.

In this first volume, after a good many necessary pages of introductory material explaining the method of inquiry and the apparatus used for its presentation, there is an outline history of China, written, of course, with special reference to Chinese science. Apart from this special reference, however, these pages are in effect a very readable general history of the area and its people: they incorporate the most recent findings of archaeology and of modern critical Chinese historians and compare favourably with anything else of the sort available in English.

The remainder of the volume discusses the travel of scientific ideas and techniques between China and Europe. This is not, indeed, a virgin field, even as regards books in English, but here Dr Needham's work definitely supersedes all earlier explorations, and it is for this section that the volume is likely to be lifted most often from the shelves. It may come as a surprise to some readers to learn that, from the dawn of history until about the fifteenth century, China, as compared with the West, had the more to give in technology as well as in scientific thought and method. It is commonly known that gunpowder (and not only for fire-crackers), the magnetic compass, paper, printing and porcelain had their origins in China; but the

length of the list Dr Needham is able to give (after the most critical sifting) of other mechanical techniques and so on that travelled westward from China will still be found surprising. Why China should have lagged behind the West in recent centuries is one of the chief problems that Dr Needham sets himself to investigate in the subsequent volumes.

Perhaps some readers will be annoyed by Dr Needham's individual adaptation of standard and fairly generally accepted romanisations, especially of well-known names, though for those who can read the Chinese ideograms, the footnotes should prevent any serious confusion.

From Levellers to Hobbes

A HISTORY OF POLITICAL THOUGHT IN THE ENGLISH REVOLUTION.
By Perez Zagorin.
Routledge & Kegan Paul. 215 pages. 15s.

THE political writings and even history of the English Revolution may at first appear so well-charted a sea that nothing new remains to be discovered. Left-wing writers in particular have jostled each other in their search for the lost Atlantis of radicalism. Yet a period so rich in political thought, ranging from Leveller doctrines with their stress on consent and natural rights to the mechanistic system of Hobbes, "the great Columbus of the golden lands of the new philosophies," can still return argosies. This century has seen a revaluation of Hobbes by the philosophers, while historians are discussing the validity of the classical theory that the century preceding the Civil War saw the rise of the gentry and a consequent shift in political power.

Mr Zagorin, a young American scholar, has written a well-informed book, based on wide reading of the contemporary pamphlets. He has firmly anchored his account of political thought to the historical background, and linked the ideas of the various groups and personalities to their political and economic setting. Starting with the Leveller protest against political and economic privilege, he proceeds to the theorists of the Commonwealth and Protectorate, who reflected the government of oligarchy and dictatorship by invoking, like Cromwell, the law of necessity, and urging that possession of power in itself warrants obedience. The conservatism of the Protectorate is reflected in Milton, who despised the "mad multitude" and advocated government by the virtuous and well-bred. Mr Zagorin analyses Harrington's ideas and points out that, contrary to the usual seventeenth century scepticism of the value of history, Harrington used it to demonstrate that a gentry republic was a logical necessity. Finally he shows how Hobbes arrived at his doctrine of sovereignty.

Mr Zagorin's account, though not original, is thorough and fair. But there are serious faults. Thus he calls Winstanley, who tried to establish a Communist Utopia, "one of the pre-eminent political thinkers of his time," while his sympathies with the social protests of the Fifth Monarchy men leads him to minimise their totalitarian outlook. Mr Zagorin is also naive in holding that the Protectorate failed to survive because it refused to carry out a left-wing programme. He does not treat of Hobbes's revolutionary approach to the use of words and definitions. And his assertion that "we shall learn the nature and causes of the English Revolution far better from Harrington's work than from Clarendon's history" ignores the strength of the argument that property followed power rather than, as Harrington had it, power followed property. Yet this book remains an honest, lively and useful account of the political thought of the period.

Escaping to the Japanese

PRISONERS' BLUFF.
By Rolf Magener. Translated from the German by Basil Creighton.
Rupert Hart-Davis. 239 pages. 12s. 6d.

ROLF MAGENER and Heins von Have were two German internees in India, who escaped from the British camp at Dehra Dun at the same time as the now famous Heinrich Harrer. While Harrer made his way north into Tibet and history, Magener and Have bluffed their way east by railway to Chittagong, and thence across the front line to join their bewildered allies the Japanese. The escape was not as remarkable as it may seem. At any one time in the civilian-controlled India of 1944 there was an amorphous collection of military or semi-military people drifting to and from the front. Two white men, vaguely disguised as British officers, with sufficient money and passable English accents, would not have had great difficulty in joining this stream. Indeed, although Herr Magener believes that he was helped on his journey by astonishing good luck, the British reviewer must hasten to disillusion him; he seems to have had to skirt round more checks of passes than the average British officer may remember besetting him. The final dangerous dash across the fluid front line and often deserted mountains of the Arakan was also achieved by more than one British evader or escaping prisoner of war. Some shot-down aircrews reappeared along this path without realising that they had been in what was nominally Japanese-held territory at all.

The value of this book is not therefore as a saga of any particularly remarkable escape; still less is it an adventure story of the calibre of Harrer's tale of Tibet. Its fascination for an Englishman is a familiar one, that it throws more light on what happened on the other side of the hill. There is an unconsciously revealing sketch of how German internees settled down in the mass at Dehra Dun; by British prisoner-of-war standards they showed a singular lack of brotherly co-operation in the planning of escapes, and over some of the internees a professional wrestler seems to have established an unquestioned but unpleasant rule of brawn. Even more intriguing is Herr Magener's description of conditions in and immediately behind the Japanese line in Burma, where these ferocious men of blood, rice and bamboo, with rusty rifles but not much else, somehow stood out against and threatened for so long the empire of iron and internal combustion engines on our side. There has been no sober re-appraisal of the Burma campaign, of the sort that opposing generals and war correspondents have provided in such full measure for the struggle in Europe. One of the incidental virtues of Herr Magener's story is that it may help to raise doubts whether that campaign was always efficiently conducted.

Potted Partridge

THE CONCISE USAGE AND ABUSAGE.
By Eric Partridge.
Hamish Hamilton. 219 pages. 8s. 6d.

SEVEN years ago, in "Usage and Abusage," Mr Partridge produced a guide to the writing of modern English that was as much a work of scholarship as a handy reference book. Doubtless, fifty years hence, someone will modify Mr Partridge's views just as he himself has brought Fowler up to date. But one can feel sure that as authorities for the writing of English neither Partridge nor Fowler will be supplanted. When they agree, they are a formidable combination; when, rarely, they disagree, it is a brave writer who flouts both of them.

In this book Mr Partridge has abridged "Usage and Abusage" and in some places brought it up to date. Since the very theoretical matter has been left out, "The Concise Usage and Abusage" is more clearly intended to be a guide to good English than was its parent, and in most respects it fulfils its purpose admirably. Occasionally Mr Partridge's style is so taut—the publishers' own word for it—that one has to concentrate very hard to follow him. Nor is it always easy to grasp when he is quoting from other authorities and when he is giving his own views. But he leads us confidently through fused participles and confused participles and other pitfalls of English grammar. Moreover, after laying down the rules and the authorities' views on them, he sometimes shows how a different and simpler construction would have avoided grammatical difficulties altogether.

In a future edition Mr Partridge might consider adding "procrastinate" and "prevaricate" to his common catachreses, and he might have said much more about the modern tendency to abuse "of course." But one is glad to see "protagonist" and "to claim" put in their proper places. What is surprising is the absence of any comment on transitive and intransitive verbs. Americans can warn that something will happen. Does Mr Partridge forbid Englishmen to do so? Or does he accept that they can do the same?

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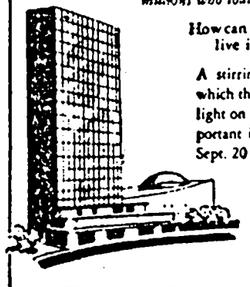
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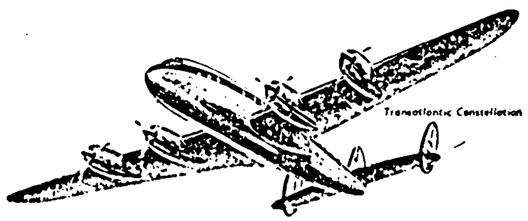
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American Survey

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

Democrats Count Their Chickens

Washington, D.C.

ONE thing that is clear from the conference of Democratic party leaders, who at Indianapolis last week-end officially launched their election campaign, is that, where political slogans are concerned, old friends are still considered best. Although Mr Truman was ordered by his doctors not to attend he sent along a familiar score for the bangers of big drums. The "rich man's budget" and "the plundering of our natural resources in the interest of a few big bankers and big corporations" are to be the main themes, together with the attempt to "bankrupt the farmer" and "put labour in its place" and the adoption by the Republicans of defence and foreign policies which "weaken the position of the free nations in the fight against Communist imperialism."

It is impossible in advance and difficult even in retrospect to apportion the relative significance of national and local issues in an election. But it can safely be said that the personality and views of the candidate and the local issues count for much more in every American election than in a British one, and that they tend to be more important in the American elections that occur in the middle of a presidential term than in the ones in which the Presidency is also at stake. However, this year a net loss by the Republicans of only three seats in the House of Representatives and one seat in the Senate would place the organisation of Congress, the committee chairmanships and the power of arranging the business into the hands of men who will want to spend the next two years preparing the ground for electing a Democratic President in 1956. The Republican Party is therefore trying to turn this election into a plebiscite on the record of the Eisenhower Administration. The Vice-President, Mr Nixon, has said frankly that a Democratic victory would "ruin" the rest of the President's programme, and the President's chief assistant, Mr Adams, has said that it would be one factor that might lead Mr Eisenhower not to run for a second term.

The Democratic tactic is not to overlay local problems by a national theme so much as to select those broad slogans which can be best adapted to local situations. By far the most important of these is the increase in unemployment. This, rather than the much more publicised issue of farm prices, will be the main theme of the Democratic campaign. It is true, as the Republicans say, that this year's recession has been much slighter than had been predicted, and has evidently flattened out, and Republican speakers from the President downward will continue to taunt the false Democratic prophets of "gloom and doom." But even so, there are now three and a half million unemployed, and a remarkably high proportion of them live in the 103 constituencies which are generally considered marginal. Since 65 of these seats in the House of Representatives are at present held by Republicans as against 38 held by the Democrats, much more is likely to be heard about unemployment during the campaign than is really justified by the state of the economy.

The farm issue is considered less promising by Democratic party organisers simply because most of the truly rural seats are heavily Republican. Except in a few statewide elections for the Senate and in marginal districts which contain both rural and urban voters, the unpopularity among some farmers of the decision to end high rigid price supports for some crops is not likely to do more than reduce Republican majorities.

★

The tax law is the principal item of new legislation which the Democrats want to debate—not, of course, the full 1,000 pages of it, but their simplified chart which shows on one side the enormous tax saving accruing to "the Lion Corporation (very large)" and on the other the rather miserable saving that goes to "Mr A. Lamb (income $4,500)." This approach is linked by way of the "greed" of the "selfish private interests" which "finance" the Republican Party to the grand old theme of the "give-away." Although to a foreign ear this sounds like a Republican description of foreign aid, on Democratic lips it refers to the "plundering" of the national domain. This includes federal land (in Montana a Republican measure to give grazing rights in the national forests to big stock-breeders is a burning issue), natural resources such as under-sea reserves of oil, and anything in which large sums of public money have been invested.

The controversies stirred up by the present Administration's policy of "partnership" between public electrical projects and the private utilities, which supporters of public enterprise consider a "giveaway," are major issues in such states as Oregon, Washington, Montana, and Idaho. The hotly contested sections of the atomic energy law, defining the opportunities for private enterprise to participate in developing the new source of power, will be cited to the same purpose.

While the Republicans will obviously want to make much of such generally admired achievements as the cutting of federal expenditure and the withdrawal of the federal government from extraneous business pursuits, the Demo-

crats will be able to exploit the local discontents caused, for example, by the reduction in money available for such popular purposes as soil conservation and by the shutting down of government-operated firms. The Democrats have higher hopes for the recapture of Nevada's one seat in the House of Representatives now that the closing of the government's titanium plant in that state has been followed by news that a private firm in Ohio has been given a contract to supply the metal.

★

The Democratic leaders have been trying for weeks to fight back the *hubris* that they feel rising within them. They realise that it would not become the party of Mr Truman to forget that the election of 1948 showed the fallacy of relying on the automatic working of "historic trends." It is usual for the governing party to lose ground in the election in which the presidency is not at stake, but there is still Mr Eisenhower's popularity to be reckoned with.

But discount as the Democrats may the individual signs that could trap them into over-optimism, cheerfulness keeps breaking in. If they can hold all their present Senate seats (though this may be harder than they think) and win Kentucky, where the popular former Vice-President, Mr Barkley, is expecting to make a come-back into public life at the age of 76, and New Jersey, where the admirable Republican candidate, Mr Clifford Case, is being badly harassed by reactionaries in his own party, they will have a clear command of the upper house. As for the House of Representatives, they are convinced that the themes they have struck at Indianapolis will win them a sufficient net advantage in the marginal districts. Their new but tempered optimism rests on the conviction that they have detected among the grass-roots a generally mounting dissatisfaction with the "lack of leadership" in home and foreign affairs of the Eisenhower Administration.

Moreover, it would be asking too much of human nature for the Democrats not to find some sort of national trend in the result of the early election in Maine, which reduced the majorities of every Republican candidate. The memory of 1948, however, remains a sobering thought to election organisers and election predictors alike. Of one thing the Democrats are certain: money and energy will not be spared by their opponents in a desperate attempt to turn November into a general vote of confidence.

Mr Benson Relents

THE spreading of the drought, which has cut crop estimates and endangered feed for the nation's cattle, has provided a good reason for the Administration to abandon the most drastic of its controls over agricultural production. Last June, at the end of a year which brought the government's investment in farm surpluses to over $6 billion and saw losses on the support programme reach a peak of $419 million, Mr Benson, the Secretary of Agriculture, reluctantly imposed the strictest acreage controls which had ever been applied. In order to be eligible for price support on any one crop, farmers had to comply with restrictions on all, and in addition to this "cross-compliance," they were prohibited from growing anything except hay and cover crops on their idle acres. This was to make certain that surpluses controlled at one point did not bulge out elsewhere, but with over 35 million acres scheduled to be withdrawn from cultivation, the effect on farmers' incomes was bound to be acute.

Last week Mr Benson relented. Farmers must still observe the restrictions on crops whose acreage is controlled, but they can grow anything else they wish, with the exception of certain vegetables, on their idle land. Most of the feed grains, to which the farmers are expected to turn to supplement the forage which has been burned dry in the south and west, are supported at 85 per cent of parity, that mystical figure which is supposed to represent a fair return to the farmer in terms of the prices he receives and those he has to pay. It is possible that these supports may be lowered on next year's crops, to discourage a glut, but this will not be decided until the October crop report is available, and probably not until after the election.

Mr Benson insists that the relaxation was undertaken in response to changing conditions and the farmers' real needs, not under the political pressure which he has shown himself remarkably able to resist in the past. Thirteen states have been declared drought disaster areas, which entitles them to the increased federal subsidies on feed and the cost of shipping it to them. Moreover, since last June, Congress has empowered Mr Benson to reduce price supports on farm commodities which are being overproduced; he has just announced that the new support price for wheat will be fixed at the lowest permissible figure, 82.5 per cent of parity, about $2.06 a bushel. Nevertheless, the news that Mr Benson himself can be flexible is welcome to Republicans who suspect that restrictions on production are even more unpopular with farmers than the prospect of slightly lower government price guarantees.

Mergers in the Mode

THE Department of Justice is taking so careful a look at the proposed merger of the Bethlehem Steel Corporation, the second largest steel concern, with the Youngstown Sheet and Tube Corporation, that suspicions have been aroused that it is going to withhold its approval. This would be a sign that the Administration, which the Democrats accuse of a bias toward big business, feels the time has come to halt the tide of amalgamations which have been so noticeable in the banking, textile, automobile, and hotel industries, and have even tied together enterprises in such unrelated fields as locomotive-building, steel, and rubber. A month ago, Mr Barnes, the head of the anti-trust division, expressed his concern and promised to examine every important merger. It is not that the number of them is increasing; this is lower than it was in 1952 and 1953. But the firms involved are larger and better known. Mr Celler, who will head the Judiciary Committee if the Democrats win control of the House of Representatives, means to ask for an inquiry when Congress reassembles.

Under the Republicans, bigness of a merger, by itself, is not necessarily incriminating; the test is whether it would substantially reduce competition. Applying this "rule of reason" in the automobile industry, the green light was given recently to the consolidation of four hard-pressed independents into two firms, on the ground that this would enable them to compete more effectively with the big three. Polite requests for information have, however, been sent by the Department of Justice to the management of the Hilton Hotels, which recently absorbed the Statler chain, and to the *Washington Post*, which became the capital's only morning newspaper by swallowing its rival, the *Times-Herald*.

The two steel companies, unlike the automobile independents, are not in financial trouble which would justify a merger "to save competition." On the other hand, together they would control only 19 per cent of the country's steel making capacity, compared with 31 per cent owned by the US Steel Corporation. Moreover, their operations are to a large extent complementary rather than directly competitive. The acquisition of Youngstown's Chicago plant would enable Bethlehem to use cheap Mississippi River transport to sell in the south-west, which it cannot reach today.

Yet there is a feeling that the companies will not find it easy, particularly in election year, to convince the Department of Justice that their plans would not violate the Clayton Act. Even if they fail, they can still go ahead. But in recent years no large merger has been completed over the objections of the anti-trust division and at the risk of a suit to break up the new firm.

Tariffs and Surpluses

THE Administration has been sounding businessmen, protectionists, free traders and even the League of Women Voters for their views on American participation in the General Agreement on Tariffs and Trade (Gatt). On such a controversial issue no clear consensus of opinion could be expected, but the hearings did give some support for the bigger and better Gatt and the government hopes to promote at the forthcoming meeting of signatories at Geneva.

In its attitude to Gatt, the Administration is strongly influenced by the need to gain for the agreement the Congressional approval which has never been secured. This anomalous situation has enabled protectionists to criticise Gatt on the grounds that it represents an unconstitutional use of executive power. The government is likely, therefore, to press for a reshaping of Gatt, both in its internal structure and in its policies, to a form that is more acceptable in the eyes of Congress. In particular, the US delegates at Geneva will strongly urge a sterner policy towards quantitative import restrictions, which have hitherto been treated leniently by Gatt.

But the real problem for the Administration is to convince its trading partners of its good intentions. In championing a stronger Gatt it will have to defend its dilatoriness in carrying out promised trade reforms, and in opposing quantitative import controls it has to allow for its own restrictions of farm imports and its need to dispose of large quantities of farm surpluses abroad. President Eisenhower recently reiterated his trade programme and gave assurances that the recommendations of the Randall Commission were still fresh in the hearts of the Administration. Moreover, by refusing to grant the tariff increases recommended for lead and zinc and, more recently, for hand-blown glassware, the President hopes to have allayed the fear that the raising of duties on Swiss watches represented a retreat towards protectionism. But even if these professions of faith carry weight at the conference table, the delicate question of the sale of surplus foodstuffs "at competitive prices" will certainly stir up trouble. Shipments under the recent Surplus Disposal Act, which provides for the sale for foreign currencies of up to $700 million worth of farm foods over the next three years, are due to start shortly. Competing exporters of these products will not easily be reassured by US promises that their shipments will not disrupt world trading patterns.

Atomic Dissenter

DR HENRY SMYTH, the author of the famous government report on atomic energy and consultant during the war to the Manhattan Project, has resigned from the Atomic Energy Commission nearly two years before his term was due to expire. Dr Smyth pointed out in his letter to the President that he had told Mr Strauss, the chairman, as long ago as February that he proposed to return to Princeton this autumn. This suggests that Dr Smyth's disagreements with Mr Strauss are not the only reason for his departure, but with his going, the chairman loses his most formidable critic and the commission its most independent voice.

Dr Smyth was the only member of the commission to dissent from its decision in the Oppenheimer security case, which is still the subject of concern in the United States; he opposed amending the Atomic Energy Act to permit "one-man rule" by the chairman; and he was one of the three commissioners who objected to the President's order to sign an agreement—the Dixon-Yates contract—with a private firm for electricity to be supplied to the Tennessee Valley Authority.

Dr Smyth's place will be filled by Dr Libby, who is also an atomic scientist of distinction, but who so far has shown no signs of Dr Smyth's breadth of interests. With this appointment Mr Strauss will head a commission composed, with one exception, of men appointed by President Eisenhower.

Housing Clean-up

THE investigations of Senator Bush, and his fellow-members on the Senate Banking Committee, into the financial operations carried on under the mantle of the Federal Housing Agency have produced a wealth of detail to satisfy those who relish public scandals. The loose wording of the 1942 Act enabled builders of rental housing projects to divert to their own pockets varying sums of government guaranteed mortgage money without actually contravening the law as it then stood. Abuses of this sort,

which are calculated to have cost some $110 million, have arisen through the distribution, as "windfall" profits, of the excess of insured mortgage money over the actual costs of construction. To justify borrowing more money than was necessary estimated costs were in some cases deliberately inflated when the approval of the Federal Housing Authority was sought, while in other cases the actual standards of construction fell far short of the original plans; one block of flats is already said to be crumbling.

Prompted by Senator Byrd, the government is now searching for ways in which to reclaim these ill-gotten gains. One is provided by a clause in all the original contracts providing that only the "earned income" of the corporations set up might be distributed to stockholders. In nearly one-half of the cases being scrutinised stockholders received windfall profits, but any action taken by FHA involves complicated legal issues and is by no means assured of success. At least there will be no repetition of these practices. The 1954 Housing Act has carefully closed the doors to the profiteer; but there remains the question of whether its new restrictions and the less tempting mortgage facilities offered have not also shut out new construction of rental housing. It is significant that applications to FHA for mortgage approval for such projects have already fallen off sharply.

While these abuses can reasonably be laid at the door of a Congress that was anxious to encourage the construction of rental housing at all costs, FHA, it now appears, has not played an entirely innocent part. An investigation carried out on behalf of the government charges Mr Clyde Powell, a Democratic appointee and director of the rental programme until his dismissal last April, with accepting substantial bribes from contracting firms. The case against Mr Powell has been strengthened by his refusal on two occasions to defend his official conduct before the Senate Banking Committee on the grounds that his testimony might incriminate him. The grand jury investigation ordered by Mr Brownell, the Attorney-General, provides a timely reminder of Democratic "corruption in government" which Republicans are trying to keep alive as a campaign issue.

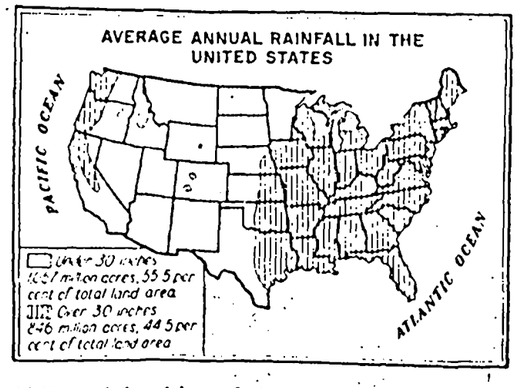
Dividing the Waters

FROM A CORRESPONDENT IN COLORADO

ON the average about 30 inches of rain a year fall on the surface of the United States, but the laws of the skies decree that the western half of the country gets an average of about 20 inches and the eastern half about 40 inches, with the dividing line drawn sharply down the Great Plains. This is the historical pattern even though it is often varied temporarily by such phenomena as the recent floods in Texas and the drought which preceded this autumn's hurricanes on the east coast. This geographical division has led to an equally sharp split in the national mind on water policy. The principal concern in the eastern half of the country has been to get rid of unwanted water; in the western half it has been to store water, in order to supplement a daily supply that is too scanty to nourish crops. In the growing western communities the fulfilment of hopes for the future depends ultimately on supplies of water.

There has also been a similar split in the government's attitude to efforts to increase inadequate supplies of water and to those directed at protecting property and life from damage caused by too much water. Thus for the past quarter of a century the federal government has assumed virtually the entire burden of flood control work, following its tradition of paying all the costs of river and harbour improvements for navigational purposes. On the other hand, those who benefit from works, also undertaken by the federal government, to supply hydro-electric power and water for irrigation in the semi-arid west, have always been expected to contribute all that they reasonably could towards the cost of these projects. This difference of approach is further underlined by the fact that two rival and competing federal agencies, the Army Engineers and the Bureau of Reclamation, have been in charge respectively of flood control and navigation undertakings and of those for irrigation.

Of late years the country's water problems have been complicated by such factors as the growing pollution of rivers and other sources of water by cities and factories; the depletion of underground supplies formerly thought inexhaustible; the recurring droughts in the west which are felt more and more severely as the region becomes more

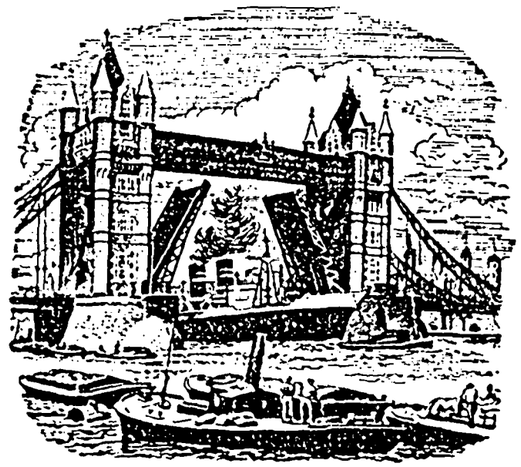


thickly settled and its agriculture more intensive; the increasingly aggressive insistence of the Department of Agriculture that it too should be allowed a share of the water development and flood control programmes; and finally by mounting controversy over the governmental, economic and social aspects of the question.

President Truman's commission on water resources policy in 1950 made some excellent recommendations which were unanimously ignored. These followed some tentative suggestions by the original Hoover commission on the reorganisation of the government. Many other studies have also been made, such as the one completed only last year on the special problems of the Missouri Basin, and valuable basic work has also been done by agencies like the Geological Survey and the Bureau of Reclamation. Now a task force of the new Hoover commission has completed hearings on the water problem, and is expected to report some time this winter, perhaps before the new Congress meets.

The older Hoover commission was supposed to study only ways of simplifying the structure of government and of

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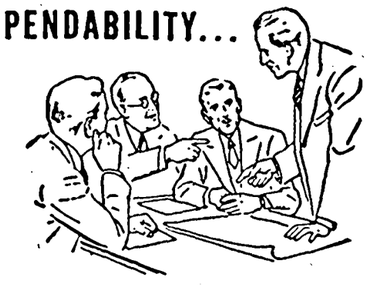
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saving money, although it at times over-stepped this limit; the new one is empowered to make recommendations on basic government policy. In the case of water there is every indication that it will take full advantage of this, but only as far as concerns the question of whether hydro-electric power should be developed under public or private auspices. And on this point the hearings in Denver, Colorado, and elsewhere left the impression, on both spectators and witnesses who favoured public power development, that this question is already settled in the minds of the members of the task force in favour of private power, that, in short, the task force is simply another instrument being used by the present Administration to cut back public electricity development as much as possible on behalf of the private power companies.

The chairman of this task force is ex-Admiral Moreell, who once declared that income tax was a communistic conception; another member is Governor J. Bracken Lee of Utah, who would like to reduce the federal government to a loose confederation, with the states collecting all taxes and handing over as much as they see fit to the central government. Nearly all the other members think along the same lines, even if they do not go so far.

At all the hearings on water, interest drifted in an unconscious and almost automatic way to this one question, an issue in this year's election and probably in 1956 as well, of how the great hydro-electric potentialities of the United States are to be developed in future. In Denver, for example, considerable testimony was given and weighty facts revealed about the way in which the growing burden on the west's slender streams has turned such rivers as the Missouri, in the imagery of one witness, "into sewers a thousand miles long." Other evidence dealt with the rapid exhaustion of underground supplies, how to redeem salty or alkaline waters by chemical means, the possibilities of cloud seeding and so on. But all this discussion of the vital problem of how to find enough water for the country's future long term needs was received with only languid attention, and all real enthusiasm was reserved for the less fundamental, but more immediately important, political controversy over hydro-electric power.

Flying on Credit

New York.

WITH exhortations to "fly now, pay later" and "let yourself go" the American traveller is being encouraged, by almost all of the major airlines, to sample the joys of flying on credit. For some years the airlines have felt that international travel was not receiving its "fair share" of the consumer's larger income. Low fare tourist flights, which already account for over 30 per cent of the airlines' transatlantic revenues, family fare plans, and group travel arrangements for businesses and clubs—all have been introduced to promote air travel. But the basic fault, the airlines felt, was that air travel was too hard to buy. Pleasure travel must compete with attractive alternatives such as motor cars, television sets, refrigerators, and other desirable household appliances—all available, and over half of them bought, on the instalment plan.

The various "pay later" and "easy pay" schemes introduced to overcome this drawback have several features in common: a 10 per cent down payment, with the balance payable in monthly instalments over periods varying from 12 to 24 months; and provision for the inclusion of connecting fares on other airlines, for overland travel, hotel charges abroad, sightseeing tours, and in some cases the entire cost of the holiday. The variations are in scope and cost, and in the ease with which credit can be obtained. Pan American World Airways and, more recently, Trans World Airlines, have nationwide schemes. The charge for the service, analogous to the interest rate on a loan, is approximately 12 per cent per annum on the initial balance outstanding; thus if the loan is repaid over a period of 12 months, the effective interest rate approaches 22 per cent. Both schemes are operated through finance companies, although the airlines assume the ultimate risk of default. Only two out of every ten applications have so far been rejected. The alternative method, adopted by such airlines as Sabena Belgian Airlines and the Scandinavian Airlines System, Inc., is to sponsor a plan in conjunction with a bank. While the effective interest rate on the loan is much lower—in the New York area the banks charge only about a third as much as do the loan companies—the airlines are unable to offer a nationwide service, owing to the absence of branch banking facilities and the variations in bank interest charges throughout the country. It is also, in general, more difficult and takes longer, to obtain credit approval from a bank.

Pan American, which introduced the first nationwide scheme last May, reports that it has already done $1,500,000 worth of business under it, of which some 90 per cent is thought to be new business—journeys which would not have been made at all in the absence of a time payment plan. Such is the apparent success of travelling on credit that the Hilton Hotels Corporation, which has just acquired the Statler chain, is considering the introduction of a similar scheme for hotel bills.

SHORTER NOTE

Mr Averell Harriman, backed by the Democratic machine of New York City, won the Democratic nomination for the Governorship of New York State on the first ballot, by 541 votes to 217. Mr Franklin Roosevelt, Jr, who had retained some hopes that the convention might be stampeded in his direction, then moved to make the choice unanimous, thus ruling out an open split in the party. Mr Harriman, who has never before run for elective office, although he held many high posts under Democratic Administrations, will be opposed by Senator Ives.

*

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The World Overseas

Dr Adenauer's New Outlook

FROM OUR SPECIAL CORRESPONDENT

GERMANS in Bonn were gratified at the obvious mark of esteem shown by Mr Dulles when he flew to see Dr Adenauer and not M. Mendès-France ; but they were surprised that the word "integration" appeared in their joint communiqué. Almost everyone had thought, and many had hoped, that Dr Adenauer would have reduced his aims to more realistic proportions after the failure of the EDC. What can he be thinking of integrating now, it was asked ? Only a vague and unofficial answer came, to the effect that something more than the coal-steel pool might be achieved in the economic field.

Looking back on the wreckage of the EDC, it is not hard to see how much this plan depended on the fortunate combination of statesmen in Paris, Bonn and Rome after the war, on the division of Germany and on American economic aid. Dr Adenauer had a unique chance, owing to the constellation in Europe. Germany was divided and cut off from its Prussian heart ; Prussia itself was dissolved, and the tradition of Eastern conquest and settlement which began with the Teutonic Knights was broken. The Junkers who formed the backbone of the Prussian army were expropriated, and lived as penniless refugees in the west. Hatred of Russia and Communism was a live force, driving Germany westwards. With France Western Germany also had a long tradition of war, which is not exclusively one of Teutonic aggression ; but the opportunity for starting a new era of friendship was great. This was partly due to the predominantly Catholic faith in the west, which inevitably meant that West Germans and Bavarians felt links with Rome and Paris, as well as with Königsberg. German Protestantism is bound up with Prussia and has a tradition of absolute obedience to the ruling monarch or other state authority. Though many valiant Protestants opposed Hitler and now oppose German Communism, on the whole the nature of the German Evangelical Church, and the fact that its stronghold was in central and Eastern Germany, have lessened its active resistance to the Soviet and German Communist rulers, and made it produce champions of reunification and neutralism.

Dr Adenauer, it can be seen, was able to come to an agreement on European integration largely because his partners were men of like mind—M. Schuman and Signor De Gasperi—and because France had in M. Monnet another personality with bold ideas for ending German domination in a way that offered advantages to all parties. The Chancellor's overriding aim was to end hostility with France and create a political union out of the need for common defence against the atheist, aggressive menace from the east. His policy was given powerful support by Stalin. Apart from the shock of Korea, Stalin's tactics in Germany played into Dr Adenauer's hands. Herr Ulbricht was ordered to build up a Communist state with a depressed standard of living, and to cut it off from the Federal Republic. Western Germans grew away from their fellow-countrymen, and fear of Russia increased, with advantage to Dr Adenauer. At the same time as the split with the east was most acute, the Federal Chancellor won respect by establishing stability—the greatest desire of all Germans—comparative prosperity and renewed prestige for his country in the world. Except for the Social-Democrats and Communists, most German political leaders accepted the fact that Dr Adenauer was placing western integration and rearmament before German reunion. Many did so with reserve, because they never quite agreed with Dr Adenauer's argument that his policy was actually helping and not preventing agreement with the Soviet Union on reunification in freedom.

The New Charlemagne

Dr Adenauer's policy was, therefore, criticised by his partners, even before it became apparent that it would fail. His apparent readiness to give up German claims to the Saar was the last straw, and leading members of the coalition declared openly that there must be an end to the policy of *Vorleistungen*—that is, of German advance payments to the French. Dr Adenauer, it was said, wanted to re-create the empire of Charlemagne, which knew no difference between French and Germans and reached only to the Elbe. Germany, declared some critics, in spite of its key bargaining position, had no foreign policy of its own with which to secure reunion. And in the anti-Hitlerite ranks there was increasing fear of the former Nazis who occupy leading posts in Dr Adenauer's government and civil service. There was no general cry for an army. On the contrary, the idea of a new *Wehrmacht* set up in divided Germany is regarded with varying degrees of dislike by most Germans for one reason or another. The advocates of rearmament were, and still are, those who see the need for common defence against Soviet aggression, and those who want an army in order to put weight behind Germany's demand for reunion.

Dr Adenauer's triumph in last year's Federal elections temporarily hid the fact that he was gambling on France. And he has lost the gamble. The vote on August 30th in the French Assembly has altered the situation in Germany. The change is to be noted in Dr Adenauer as well as his critics and the public. The Chancellor is much "tougher" with France than he was. He suspects M. Mendès-France, and there is serious incompatibility between the Catholic, Communist-hating German and the subtle, anti-clerical, radical Frenchman.

This is a change, but the main shift in the German political scene is among Dr Adenauer's critics and the public. He is branded by politicians as a failure who has secured neither reunion nor a new era of friendship with France. The critics are now vocal and insistent that a new foreign policy must be followed, based on the slogan "Reunion first and foremost." France is not blamed as much as the Chancellor by political leaders ; on the contrary, effort to form a new front is emerging between the opponents of Dr Adenauer and the anti-clerical French parties.

The defection of Dr John and Herr Schmidt-Wittmarck to East Berlin was called a "crisis of confidence in the government" by the opposition in Bonn and undoubtedly did some harm to the government and the German democrats. Neo-Nazis and Nationalists are now raising their heads with the charge that men who helped Hitler's enemies in the west or east are and always will be traitors. But the men of July 20th received spontaneous applause when they were defended in the *Bundestag*. And Dr John, branded as a traitor, has done no good to the Communists. The effect of post-Stalin tactics in Germany is, on the other hand, likely to be a serious factor, which is making Germans think more of reunion and less of rearmament. Herr Ulbricht is in the background and "peaceful coexistence" to the fore. Barriers are lowered, and the traffic of Germans passing back and forth across the zonal frontiers is said to be as great as before the war.

It is therefore unquestionably a changed situation that Dr Adenauer has to face since he first set out to build a new Germany. But he has not given up and will not while his health lasts. He is still master of his cabinet, and the constitution prevents him from being overthrown. For the next three years, therefore, there may still be time to link Germany with the west.

Diem is Losing the Battle

THE wider battle for the control of Vietnam is being lost, to all appearances, in the confused struggle for power now rending the Nationalist south. The longer the crisis goes on, the greater the gains to the Viet Minh ; for in the wider sense, this is a battle for the loyalties of the ordinary Vietnamese men and women who will decide the fate of their country at the polls in 1956. The dilemma of the present Nationalist regime is that it is authoritarian but lacks real authority. Since there is no national assembly, and provisional elections, even in southern Vietnam alone, are highly unlikely, arbitrary rule is inevitable. The alternatives are either a chaos even more widespread than at present, or a "strong" government. In the context of today's realities, this would mean a military government, for only the Vietnamese National Army commands sufficient power to unite the divergent groups and sects which have transformed the South into a political bear-garden.

The collapse of the Diem administration needs an explanation, for it is just over two months since it came to office amid fervently expressed hopes that here, at last, was something different—a truly nationalistic and unblemished team that would end, once and for all, the corruption and maladministration of previous governments. After the high expectations he aroused, it is easy to be harsh in one's judgment of Mr Ngo Dinh Diem ; but it is as well to remember that he inherited a situation so desperate that even the most experienced of statesmen might have been pardoned for failing to solve the problems he faced. And experience was precisely what Mr Diem lacked: twenty-one years in a self-imposed political wilderness are useful for the creation of a legend, but valueless for solving problems as vast as those that followed the partition of Vietnam under the Geneva truce agreements.

Nor was his team of ministers any more experienced than their leader: in his concern for a complete break with the immediate past, Mr Diem had chosen men who had not served in any previous Saigon administration since the 1949 government headed by the Emperor Bao Dai on his return from exile. In the absence of experience, verbal fanaticism became a substitute for action. The military collapse in the Red River Delta, and the problem of evacuating as many anti-Communists from the North as were willing to be moved, overwhelmed the prime minister and his assistants. In the South, the re-emergence of the Viet Minh in countless villages and the establishment of a parallel Communist administration have found the government paralysed by its own inability to act.

Flight and Infiltration

In the event, the evacuation from the North has been more successful than was being predicted some weeks ago, but Mr Diem himself can claim little credit for the improvement. Some 300,000 refugees have now been moved southwards, together with a cargo of almost equal importance: 275,000 tons of equipment and 4,350 vehicles. In the early days of Diem administration, the Nationalists were talking of a million evacuees—a figure unlikely to be even approximately reached now that the main first wave of evacuation is dying down. In those early days, francophobia led Mr Diem to refuse all offers of French help in the evacuation. Instead, he appealed to the United States. Fortunately for his cause, not only did the Americans (and the British, too) respond immediately, but the French ignored the snub and carried on with the evacuation.

The resettlement of so large a number of refugees has also, and inevitably, proved beyond the resources of the Vietnamese government. There is no shortage of land, which has been made available in Annam in reasonable allocations, but there is a catastrophic shortage of housing, agricultural implements and even money for the subsistence of the evacuees until they are able to stand on their own feet. In the face of these problems Mr Diem is almost completely dependent on American aid.

Of equal importance in the long run is the problem of Viet Minh infiltration in the villages of Cochinchina ; and here American aid is almost irrelevant. Left to its own resources, the government has proved quite incapable of countering Communist propaganda, which has taken such audacious forms as the open display of election posters showing portraits of Ho Chi Minh and Bao Dai, with the caption: "Which one do you choose ?"

The crisis of the past fortnight should be seen against this background of administrative impotence. The National Army, which now numbers some 270,000 men, under 7,500 officers, has been gradually emerging as a powerful political force. Its chief of staff, and eventual commander-in-chief when the French command hands over its authority at the end of the year, is General Nguyen Van Hinh, a former distinguished pilot in the French air force and one of the ablest men to have appeared in postwar Vietnam. General Hinh has made no secret of his disagreement with the policies of the chief of state, Bao Dai, or of his dissatisfaction with the inertia of the Diem government. Believing himself to be politically threatened by this attitude, Mr Diem ordered the general to go on leave in France; when the general refused to obey, the crisis began.

From the outset, the prime minister's position was untenable. In terms of power, he was solely dependent on the protection of the police, itself under the control of General Le Van Vien, a close friend of Bao Dai's. General Vien, who holds a controlling interest in the Grand Monde, the largest gambling establishment in the Far East, is the head of the Binh Xuyen sect, a non-religious band of privateers with its own army. General Hinh is believed to disapprove of Binh Xuyen control of the police and there exists an intense rivalry between the police and army.

In an attempt to strengthen his position in the face of General Hinh's defiance, Mr Diem brought a third influential general, Nguyen Van Xuan, into his cabinet as Defence Minister. It was a desperate move, for some weeks ago General Xuan, who headed the Provisional Government of Vietnam in the confused period between the start of the Indo-China war and the return of Bao Dai, was agitating against Mr Diem and putting himself forward as a candidate for the premiership. The interesting point, however, is that Xuan is an outspoken opponent of Bao Dai, upon whom, in the final analysis, Mr Diem himself is dependent for his continuance in office. In an interview four weeks ago, General Xuan said that no one could guarantee Bao Dai's safety if he returned to Vietnam.

Sects in the South

The position of the powerful southern sects should not be overlooked in an analysis of the Vietnamese crisis. Apart from the Binh Xuyen, the main ones are the Caodaists and the Hoa Haos. Between them, these important religious groupings, who are united by an alliance and implacably opposed to the Viet Minh, number some three million adherents and have some 58,000 men under arms. Until recent months, they were firm supporters of Bao Dai, but three weeks ago the Caodaist Superior, Pham Cong Tac, though reaffirming that he supported the Emperor "body and soul," called upon him to stay in Europe as a roving ambassador of Vietnam, rather than return. A persistent obstacle in the path of Nationalist unity has been the resistance of the sectarian armies to absorption in the National Army, though in theory they have already been incorporated. For obvious reasons, General Hinh has been pressing for their physical absorption.

The situation remains explosive. Though General Hinh has never expressed any political ambitions, he may be driven to seize power by the extremists among his staff. Physically, a military *coup d'état* would present little difficulty. On the other hand, the fact that both Hinh and Diem have appealed to Bao Dai to arbitrate in their dispute suggests that Hinh has ruled out precipitate action. General Vien has just returned to Vietnam after consultations in France with the Emperor, and it may be assumed that he has brought back the chief of state's instructions for dealing with the crisis. Whether the Army will accept a ruling brought by General Vien remains to be seen.

In the meantime, a series of terroristic outrages in Saigon, and the assassination of the Laotian Defence Minister in Vientiane are a clear reminder that the Viet Minh will take every opportunity of exploiting any weakness that manifests itself in the non-Communist areas of Indo-China. It has never been more necessary for the Associated States to establish strong and unified governments, if they are to have any hope of survival in the months ahead.

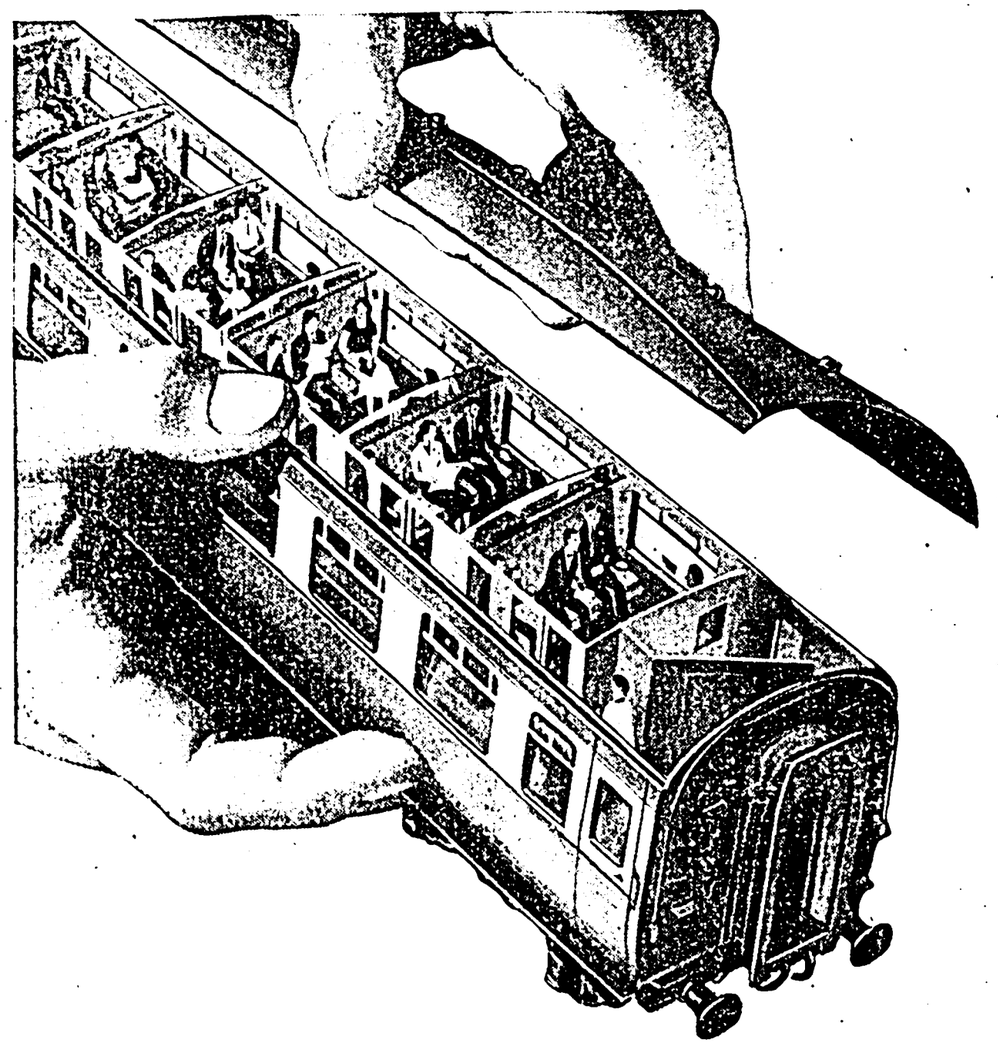
Firebrands in Persia

BY A CORRESPONDENT

THE feeling strongly prevails, both in Teheran and in the capitals of the Consortium countries, that the oil agreement signed in the small hours of September 19th will be ratified in the Persian Majlis and Senate. It represents months of patient negotiation by Mr Howard Page and his colleagues, with ministers a world away from the crude follies of the Mossadegh era. It is vitally important to Persian economics that it should come into force at the earliest moment, with a stream of oil and money to follow closely after. The Shah has blessed it unequivocally, its benefits to the country are unquestionable. Is rejection, then, at all probable; and what, in fact, are the likely sources of opposition?

They are not expected to be lacking among either the politicians or the masses of a country which is still generally ignorant of industrial realities and habituated to dire poverty, and whose xenophobe emotions have been excited by two years of hysterical misgovernment. Opponents of the agreement are and will be opponents of the Zahedi regime, with little or no regard to the precise terms of the oil settlement. The meticulous care with which this has kept within the Nationalisation Law of May 1, 1951, will not excuse it. Nor is it difficult to distinguish the opposition elements which now survive—partly submerged—from the Mossadegh period and were then the pillars of his strength.

The National Front, whose survivors on both right and left wings are still very much alive, includes the mass of those to whom Mossadegh's forms of oratory and statecraft appealed, and the convinced anti-monarchists whom Riza Shah's regime not unnaturally bequeathed to Persian politics. The specifically pro-Mossadegh faction is still large though unstable, and with it can be grouped the small, semi-Fascist Iran Party, the Pan-Iran Group, and the Third Force whose natural weapons are violence and personal intimidation. Distinct from these are the unorganised intelligentsia or parliamentarian elements, to whom an authoritarian regime such as the present is irksome and frustrating, and who would join in any forces aiming at its downfall. Ranged with them in bitter hostility to Zahedi—and, substantially, to the Shah—stand the men of religion; the Fidayan-i-Islam and their associates led by Mulla



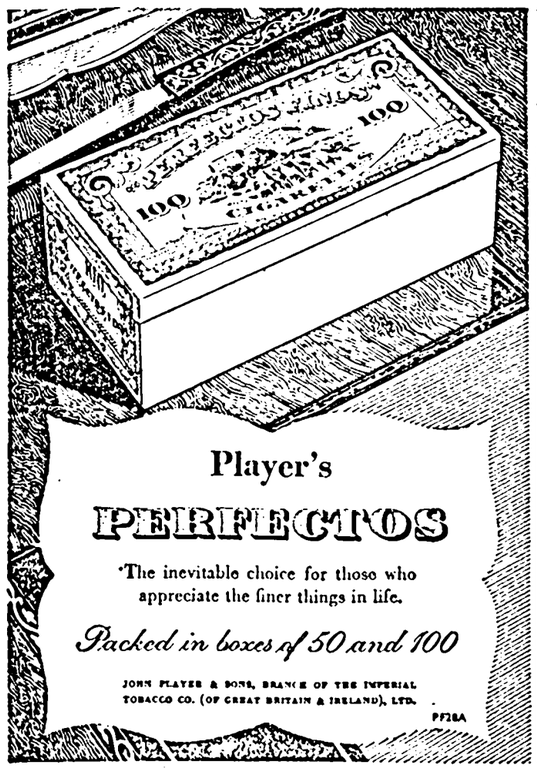
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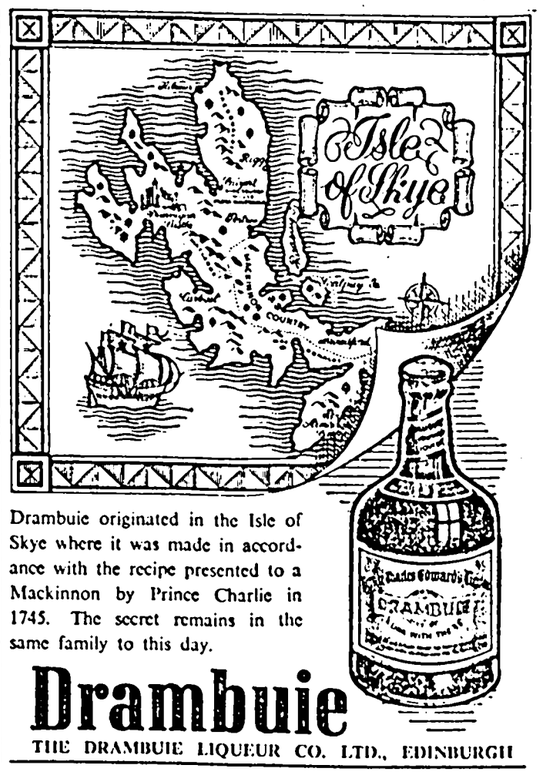
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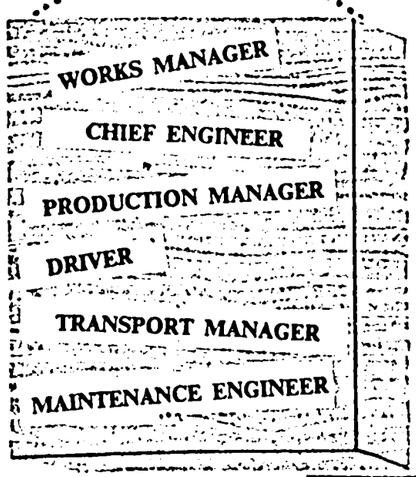


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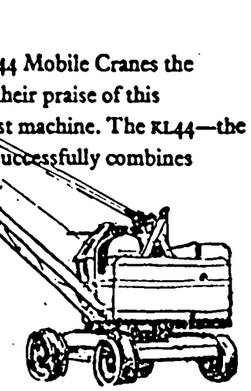
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Ayatullah Kashani. This small, but far from negligible group, whose record of bigotry and bloodshed in the political field is little creditable to the religion they profess, will fight the regime and the agreement with all their power. Kashani's own son is in the Majlis.

The Tudeh party, originally a liberal reform-seeking body, has long been "sold out" to Communism. It has developed a country-wide organisation, led by some good Moscow-trained activists (certain of whom operate also in workers' groups distinct from the Tudeh programme). It has every interest in the fall of Zahedi. Nothing could suit the Tudeh members worse than a stabilised Persia, hopeful of development and able to pay for it: nothing could please them better than anarchy followed by a republic which would be a satellite to the USSR. Under Mossadegh, with whom it formed a tactical alliance which he believed he could control, the party penetrated deeply into the army, police and civil service. After August, 1953, it lost strength and members, and General Zahedi last winter "purged" the services to an extent then thought adequate for the restoration of an almost vanished discipline, and succeeded in detaching the less extreme civilian elements.

The Tudeh Conspiracy

But by the early summer of 1954, the party was again fully active with its posters, half-clandestine meetings (often camouflaged as wedding or circumcision feasts), and street demonstrations. It was ready for any possible form the threatened oil agreement could take. Counteraction was taken by the administration, with arrests of sympathisers from July onwards. Late in August there was announced the detection, through house-searches and a captured code-book, of a widespread conspiracy in the armed services and the schools. The arrests of officers in the army and police have been variously reported as 250, 400, or even 500. Complete success is claimed in breaking up an elaborately organised Tudeh-inspired movement which had involved scores of officers, including some of colonel's rank and many in positions of trust. It had branches at Abadan, in the Teheran Law School and elsewhere. Many, it is claimed, have confessed, and there is confidence that all is now well. But the part to be played by the Tudeh party in attempts to wreck the agreement, by violent subversion if need be, cannot be assessed as yet.

The representation of all these heterogeneous elements in the Majlis and Senate is small, and probably does not exceed a dozen members; nor are these, whom M. Qanatabadi seems to lead in the Chamber, particularly formidable. The government party will easily outvote this handful of irreconcilables, and will refuse, no doubt, to be trapped into the delays at which they will aim. The agreement will be ratified. But it is perhaps too much to hope that thereafter loyal acceptance will succeed to criticism; the recourse of out-voted middle-eastern politicians, more especially if led or supported by Communists, is to the mob and sometimes to the assassin.

The fate of Ali Razmara in 1949 cannot be forgotten, nor the violent street disorders which in July, 1952, sealed the fate of the four-day ministry—appointed by the Shah, and initially accepted by the Majlis—of Qavam-al-Sultana. To escape such dangers, if they should arise, with their incalculable damage to Persia, may well call for all the firmness and wisdom at General Zahedi's and the Shah's disposal, and for the closest mutual collaboration. Thereafter, if a longer period of internal security is to be enjoyed, the sincerity and effectiveness of the present government's programme of social reform, and the widely beneficial spending of the money shortly to be available, must be shown by visible and practical measures.

King Coffee's Shaky Throne

ON the third of October Brazil is going to the polls to elect a new Senate and Chamber of Deputies. This election is crucial because it represents the last phase in the Vargas crisis, and because it takes place at a moment when Brazil is in grave danger of an economic collapse. President Café Filho has had the courage to bring the grim facts before the public. The budget for the fiscal year 1955 already shows an estimated deficit of 15 billion cruzeiros and is expected to be several billion higher when congressional appropriations are all in. The country is in the grip of inflation, and during August alone there was an increase of three billion cruzeiros in paper currency.

Brazil's internal problems, moreover, are closely connected with its ever-increasing dollar deficit. In July and August the Bank of Brazil purchased $60 million. But as Brazil's dollar spendings are exceedingly high—particularly for commodities such as oil—the dollars dwindle rapidly. The new regime is acutely short of dollars with which to meet import payments or cover the dividends and earnings of foreign investors. The new finance minister, Dr Gudin, has outlined plans calculated to improve Brazil's balance of trade. He has promised that the government would undertake an active programme to encourage foreign capital and reduce trade restrictions. Although he would not contemplate complete convertibility of the cruzeiro in the near future, Dr Gudin stressed his intention to provide flexible and advantageous rates of exchange for the export market. Above all, the new government means to attempt a strictly disinflationary monetary policy, and is considering a more severe attitude towards the banking system with its tendency to over-extend in real estate activities.

These are excellent ideas, but in Brazil—as in so many Latin American countries—financial good intentions pave the way to political trouble. A disinflationary policy will run straight into the problem of how to raise minimum wages and maintain the public works programme with which the government seeks to satisfy the restless working classes Any large-scale encouragement of foreign participation in Brazilian capital expansion is likely to arouse nationalist opposition. With an election looming, President Café Filho must try and reconcile fiscal needs with political facts. If he fails to do so, the spirit of the late President Vargas will walk ominously abroad.

Finally, there is the all-embracing problem of coffee. If Brazil does not succeed in exporting some ten million bags in the next months the present crisis will get entirely out of hand. Owing to the fantastic rise in Brazilian coffee prices before the fall of Vargas, consumer resistance in the United States has reached a high point and other coffee exporters, such as Mexico, have entered the market. What the new regime must do is to reduce prices without fatally lowering the wage standards on the plantations. Brazil must receive outside help, and it is more than likely that the United States will step in to ease the very grave

situation. Already barter agreements have been arranged to exchange American wheat for certain strategic minerals such as monazite. But whether a devaluation of the cruzeiro can be long avoided is doubtful.

Scarecrows in New China

THE collectivisation of the vast Chinese countryside is still in its very early stage, but acute growing pains are already reported. The mass of the Chinese peasantry is still working independently or in loose association through "mutual-aid teams." Yet the producer co-operatives, which should be the spearhead of the collectivisation drive, apparently do not fulfil their function. The Peking *People's Daily* has sounded the alarm: the producer co-operatives are not productive. Less than one third play their role properly; more than a half show no advance in output, while production is actually falling in the remaining ones.

Though floods have devastated fields this year and every ounce of grain is important, the lag in production is not the only cause of alarm. Producer co-operatives are still too few to affect output greatly. At the beginning of this year, out of China's 110 million households nearly half were grouped in seasonal or permanent "mutual-aid teams," but less than 300,000 were amalgamated into 14,000 producer co-operatives. The subsequent drive surpassed the forecasts of the planners and by June of this year the number of co-operatives rose to 90,000. Even so, in the northern regions, where they are most widespread, they still account for barely five per cent of total arable land. According to the official plan only one-fifth of the rural population will find itself in co-operatives by 1957.

The role of the co-operatives, moreover, was to act as a model and a magnet to attract the peasants to the collective system, and this is why their failure is particularly painful. Fearing that coercion would provoke an upheaval, Peking wanted to induce the peasants to join by promises of prosperity. But it is now admitted that in many cases "the income of co-operative members had decreased"; in this way the models "failed to establish a good reputation among the masses." The party is chiefly blamed for this state of "anarchy." It apparently does too little to co-ordinate the work in the countryside, concentrates on a few pilot projects and neglects the backward co-operatives. Above all, it does not get down to earth and issues general directives which ignore the vital problems of accountancy and incentives. As a result many farms, instead of being centres of attraction, act as scarecrows in the Chinese countryside.

All this is the more awkward as the co-operatives themselves are only an intermediary stage, the stepping stone to collective farming on the Soviet model. Chinese producer co-operatives should not be confused with Russian *kolkhozy*. The Chinese farms are a mixture of private and collective ownership. The land and some equipment is still owned by individual peasants, who get a rent for it. The remuneration of the members is, therefore, still divided into rent and wages. The ultimate objective is, obviously, to eliminate rent according to the Soviet model. As *People's Daily* has put it:

"Our principle is gradually to decrease the ratio of land reward and to increase the ratio of labour reward . . . until we finally realise the system of distributing income according to the amount of work done."

Thus there is no question of abandoning the final objective of large-scale collective farming. If anything, the establishment of co-operatives has been speeded up in recent months. The Communists may have swallowed more than they can chew at the moment. In general, it is no longer the fashion in the Soviet bloc to paint everything in bright colours and camouflage every failure. Mao Tse-tung apparently does not want to follow Stalin's cruel path in the countryside. But, it is no easy task to overcome the peasant property instinct and to coax smallholders into collectives. Hence the present pressing appeals to the regional and local party authorities to make the co-operatives pay and to render them as attractive as possible. In rural China the political future of the regime will be greatly affected by the manner in which it copes with what Lenin called the infantile diseases of collectivisation.

Breathing Space in Denmark

FROM OUR CORRESPONDENT IN COPENHAGEN

IT is over a fortnight since, at the insistence of the opposition parties, the Danish *Folketing* was hurriedly recalled from its summer recess to scrutinise the Social Democrat government's emergency programme, put forward to meet the steadily worsening balance of payments position. But a solution of Denmark's economic difficulties seems today as far off as ever. The chamber met in an atmosphere of crisis; and it was generally expected that the three-day debate would culminate in a show-down between Hr Hedtoft's minority government, which can muster 75 votes, and the Liberals and Conservatives, who together have 73. Clearly the attitude of the Radicals (14), and to a lesser degree of the single tax party (6) and Communists (8) would be decisive.

Deputies urgently summoned to this crucial debate arrived with the snow of Greenland and the dust of Pompeii on their boots. The proceedings ended, however, in anti-climax. A motion of censure tabled by the Liberals and Conservatives was not put to the vote. Instead a Radical motion to refer the government's proposals to a parliamentary commission was carried by 91 votes (Social Democrats, Radicals and single tax party) to 69 (Liberals and Conservatives), with the Communists abstaining. But the price that the neutralist Radicals intend to exact for signing the government's reprieve may well be higher than the Social Democrats are willing to pay. In particular, it is rumoured that further sizeable cuts in defence spending would probably lead to the resignation of the Defence Minister, Hr Rasmus Hansen.

The government's emergency programme, which the 17-man parliamentary commission is now examining, envisages economies of Kr.600 million over the next one and a half years. (Neither devaluation, nor imposition of quantitive restrictions on imports, seem to have been contemplated.)

Hr Krag, the Minister of Economics, has stated that the programme aims to increase budget surplus and revenue, reduce consumption and investment, encourage saving, and stimulate export earnings. The Finance Minister, Hr Kampmann, has given assurances that funds accruing from the economies will not be paid out until the crisis is surmounted. The government's two-point plan proposes raising the company tax and levying surtax; reducing tax relief for house repairs; higher taxes on beer, spirits, tobacco, petrol and motor vehicles; increased railway fares, railway freight charges, and postal rates; tariffs on textiles; premiums on savings; and increased export credits. So far only the two last, together with a Radical proposal to tighten up credit terms on hire purchase transactions, have progressed from the commission to the *Folketing*.

Radical objections have already led to the proposals on tariffs, company tax and surtax being dropped. Although reticent about their aims, the Radicals are believed to oppose most of the government's remaining proposals: they will undoubtedly press for cuts in public building and defence. Radical cageyness is matched by that of the Liberals and Conservatives, who confine themselves to maintaining that the government, having manifestly lost the people's confidence, should now submit to elections. According to the opposition, any concrete proposals advanced by them would be pounced upon with whoops of joy by the government, which could then take full credit for success, while having a scapegoat handy.

Outlook Daily Darker

While the parliamentary commission pursues its piecemeal endeavours, which can at best only result in the emergence of a dangerously enfeebled version of the government plan, the payments position continues to deteriorate. The July import surplus of Kr.208 million was an all-time record. August figures, when published, are likely to be equally disquieting. Stocks of raw materials, which were believed to have grown substantially after heavy buying in the first half of 1954, are a fraction less than at the same time in 1953, and 12 per cent lower than at the New Year, although grain and feeding-stuffs are up. By mid-September, the foreign exchange deficit of the National Bank was Kr.130 million, taking into account an extraordinary payment of Kr.20 million received from Western Germany for post-war maintenance of German refugees. Although Denmark still has reasonable short-term liquidity, with a dollar reserve and EPU credits to draw upon, the long-term outlook grows daily darker.

Factors beyond the Danish government's control have contributed to their troubles. The breakdown of trade talks with Russia, protracted and fruitless negotiations with Britain over bacon and butter, and the partial failure of the harvest have had a cumulative psychological effect. The government are anxious to avoid, or at least postpone, an election. A repetition of the events of 1950, when a similar economic crisis forced the Social Democrats into opposition, while their opponents cleared up the mess, would harm the party immeasurably. The Radical party, having acted as midwife at the present government's birth, and enjoyed the sweets of power without responsibility, is now nervous of sharing the electorate's displeasure with its protegé. Meanwhile, the Liberals and Conservatives are convinced that, given enough rope, the government will hang itself.

Radicals and Social Democrats may find sufficient common ground to stave off elections for the present. Hr Hedtoft has gained a breathing-space through the Radicals' tactics—but whether of months, weeks or days is anybody's guess.

More Rice Than Rubber

AMONG the distinguished guests visiting Peking this year, Ceylon's Trade and Commerce Minister, Mr Shirley Corea, who leads the trade delegation due there shortly, is likely to have the longest and most arduous sojourn. His difficult brief is that of driving as hard a bargain as possible in the third renewal of the rubber-rice pact. It would not be surprising if the difficulties led to a breakdown, though both sides will do their best to avoid it.

The basis of the rubber-rice agreement rests on two facts: China's need for rubber, which it finds hard to satisfy because of the United Nations' embargo; and Ceylon's shortage of rice. Circumstances have changed both these conditions. On the one hand, now that the fighting has ended in Korea the Chinese high command may calculate that they need less rubber. As against this, however, it is widely believed, though never fully confirmed, that a proportion of the rubber goes by the long haul across Siberia in payment for supplies and services given by the Russians and the Eastern European bloc. The Communists might be banking, moreover, on an early relaxation of the UN embargo—the Labour Party mission and modifications in the Battle Act list may have given them encouragement—and therefore feel less disposed to pay Ceylon's price, which is above that obtaining in world markets.

The second leg of the bargain is equally shaky. Rice supplies the world over have grown enormously; the problem now is a matter of disposing of surpluses. There is said to be a surplus of about 100,000 tons in Ceylon at the moment, and because suitable storage space is inadequate it is proving a headache for the authorities. Home production has, in addition, been rising and now accounts for more than half the country's needs. Ceylon's neighbours also have been pressing offers—at tempting prices—on the government. A minimum of 200,000 tons has already been contracted for from Burma and there is news that Pakistan has come out with an interesting bid. India, too, is said to have 200,000 tons of rice for export. In fact, Mr Corea has to carry with him the burden of some 50,000 tons of Chinese rice left over from the previous year, which he hopes to be able to unload in Japan.

The outlook is thus far from promising. Ceylon still values its rubber-rice pact and would like, furthermore, to increase its general trade with China, but the government is aware of the difficulties. It has always been a curious transaction: China, normally a net rice importer, turns into a rice exporter and pays abnormally high prices for supplies of rubber considerably in excess of its normal requirements. There is, however, one saving feature in this year's bargaining: China, because of the disastrous floods, might have less rice to sell. The outcome could, therefore, be a cut in the quantities of both rubber and rice, with prices of both being brought into line with the world.

Must Evatt Go?

FROM A CORRESPONDENT IN SYDNEY

IT is expected that the present leader of the Australian Labour party, Dr Herbert V. Evatt, will have been displaced within six months. Dr Evatt's friends say that he would quit immediately if he could find a vacancy similar to the High Court bench which he left a decade ago. At this moment this controversial political figure is fighting for his political life. Behind him he has a divided and bickering party. The bickering is no figure of speech. At a recent Labour conference, two veteran members started throwing punches and were restrained with difficulty.

One of Dr Evatt's biggest troubles is that he is an incorrigible individualist, a breed of which the average rank and file Labour man is perennially suspicious. He has been too long accustomed to handing down rulings from the bench to fall easily into the party policy of "majority decision." His immediate troubles began when he "high-handedly" took charge of Labour's 1954 election policy and forced it on reluctant candidates. As a policy "with something in it for everybody," it was found that there was nothing in it for the Labour party when Labour lost the elections. Future historians probably will conclude that it was Dr Evatt's misfortune to have coincided in political time and space with perhaps the greatest controversy in Labour party history, namely, the question of "socialism in our time."

Since 1947, when the Australian people made it clear that nationalisation on doctrinaire socialist lines was not acceptable to them (in Labour's attempt to nationalise all Australian banks) the party has been steadily disintegrating. Old style Labour politicians who saw the party thrive on strikes, the class war and the like, are scandalised that "socialism in our time" is not acceptable to new style Labour politicians, the people who regard politics as a "safe job" and not as a road to martyrdom. In the midst of this party controversy, Dr Evatt came to power. His leadership, therefore, inevitably represents, in Labour eyes, an attempt to resolve this historical crisis in party affairs.

Devil's Choice

Because Australian elections are decided by a so-called "swinging" or unattached vote, the Labour leader has attempted to follow a middle course between militancy and non-militancy. The attraction of this course, as interpreted by Dr Evatt, was that it provided a "middle ground" between the extremes of Liberal Government and Communist policies. This was a highly dangerous theory, since the government was the only party which could be attacked with any hope of Labour gaining political office. Consequently, as the extremes of Liberalism were attacked, the Labour Party increasingly emerged, in the public eye, as the protector of the extremes of Communism.

But Dr Evatt did not take the field as the champion of Communism. Rather, he fought as the champion of "personal freedom." This was the case in 1951 when he almost single-handedly defeated the Liberal government's legislative attempts to outlaw the Communist Party as a "subversive organisation." This victory confirmed his newly won position as Labour's leader. But it also confirmed, in the eyes of Labour politicians, that he was well left of centre. The Evatt "middle course" had produced a devil's choice for those who henceforth must support Liberalism if they wished to attack Communism or Communism if they wished to attack Liberalism.

It was at this point that the anti-Communist elements in Labour ranks suddenly remembered that their party had succeeded only when led by a "real Labour man," meaning one who had come up the hard way through the rough and tumble of unionism. Such talk aroused anew Labour's traditional suspicions of an "intellectual" leader.

Looking at Dr Evatt's political future, this very background would seem to be his greatest handicap. Had he never come from the High Court bench, it is altogether possible that he never would have seen the legal holes which he exploited so successfully in defeating the Liberal Government's anti-Communist legislation. His attack is almost invariably along legal lines. But this very tendency divides his immediate parliamentary supporters. Unable to follow his line of legal thought, these worthies are reduced to political impotence on the sidelines. It is an undignified position and no politician, however much he may hero-worship his leader, cares to appear in such an uncomplimentary role. Hence the complaints about the leader's "high-handedness" and his alleged disregard for the party's federal council and its policy decisions.

The Cable to Paris

From Dr Evatt's standpoint, the Petrov affair was made to order. It presented a legal problem wrapped up in a political one, that is, the unearthing, through a royal commission, of a Communist plot against national security. Realising this, new style Labour politicians obviously were praying their leader would not intervene and again place his party in the position of attacking a government attempt to unearth the underground comrades. Yet that is precisely what he did.

Dr Evatt saw the Petrov affair as just another government attack on "personal freedom." He publicly warned against government "smear" attacks despite Prime Minister Menzies's assurances. The climax came when, after strongly criticising the conduct of the three eminent royal commissioners themselves, Dr. Evatt denounced the proceedings as a "political conspiracy" against himself as Leader of the Opposition. When refused further leave to appear before the commission, he then attacked the French government for its arrest of Madame Ollier, a diplomat named by Petrov as an MVD agent in Australia.

This unprecedented spectacle of an Australian Opposition Leader cabling criticisms direct to a foreign government on the handling of its own affairs has given wider meaning to the Labour slogan: "Evatt must go." In attacking the French government, Dr Evatt has done more than shock his party to the core. He has more closely identified it with the Communist party, and he is alienating all those new style Labour politicians who wish to "play it safe."

To their way of thinking, Dr Evatt is not only spoiling Labour's good name as a champion of democracy, he is also threatening their jobs, their livelihood as politicians. The question, therefore, is not whether they continue to admire and follow their leader, but whether they continue to admire and follow politics as a well paid vocation. The more dismal that prospect becomes, the more convinced they will be that "Evatt must go."



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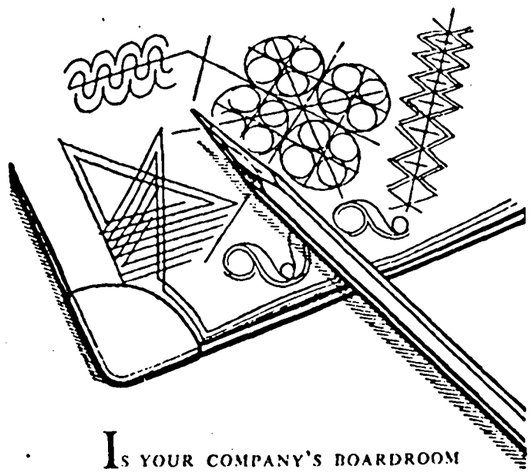
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THE BUSINESS WORLD

IMF at the Ready

THE "routine meeting" of the International Monetary Fund, as the Chancellor of the Exchequer described it on his departure from London, is obviously dominated by and dedicated to the great debate on convertibility. It is altogether fitting, therefore, that the first chapter in the annual report of the Executive Directors should be entitled "The Prospects for Convertibility." This latest report is not, as might have been expected, another stirring call to the righteous cause. It is a sober restatement of the essential conditions that must be fulfilled if convertibility is to be not only a feasible but an enduring achievement. The report lays its main emphasis on the present state and prospect of the dollar gap, and secondly on the part than can be played by the IMF in providing that cushion of international credit without which convertibility might all too easily become the begetter of increased restrictions on international trade.

On the first of these issues the IMF report is decidedly optimistic. It points to the contrast of economic developments in the latter part of 1953 and the early months of 1954 in the old and new worlds and to the increased production of certain agricultural and industrial commodities in non-dollar countries, which made them far less dependent on dollar imports than they had previously been. It points out that the volume of United States exports tended to fall despite a considerable decline in the degree of discrimination applied against them. The result was that even leaving out of account economic aid from the United States, the dollar receipts of countries outside the United States (including receipts from off-shore purchases), exceeded their dollar payments. In 1953 the sterling area achieved an over-all surplus as well as a surplus with the dollar area. This improvement in the international payments situation "indicated the increasing ability of non-dollar producers to compete successfully with the production of the United States." It was signalised by an expansion of gold and dollar reserves outside the United States and by stronger quotations for inconvertible currencies.

This improvement in the payments accounts of non-dollar countries between 1952 and 1954 has been associated with stable prices and with comparative freedom from inflationary pressures—and with a share of good luck. The terms of trade have unquestionably helped the sterling area, and so have the expansion of offshore purchases and other US Government expenditure abroad. But the element of good management has been far more notable than that of good luck and the IMF report sets out the important causes of the improvement:

> The general enhancement of productivity and the expansion of dollar competing supplies in Europe and in the sterling area, which are the fruit of earlier investment and reconstruction policies . . . the adjustment of Europe's relative cost levels following the devaluations of 1949 . . . disinflationary monetary and fiscal policies, which have had the effect of eliminating or reducing excess demand and of checking price and wage increases.

From all this the IMF implies that the chronic want of balance in the current payments of the United States with the rest of the world is a thing of the past; it suggests that further substantial reductions and ultimate elimination of discriminatory restrictions on dollar imports can now be contemplated by many countries without the risk of serious disturbance to their balance of payments or to their domestic economies. A special pioneering role has been played by sterling, and the IMF report hands several bouquets to the pound. It stresses that wider convertibility for sterling is a necessary condi-

tion for any further advance in this direction by other countries, even those where economic conditions are particularly favourable. It welcomes the gradual relaxation of import restrictions and of domestic rationing in Britain, the restoration of many commodities to private trade, the reopening of commodity markets, and the wider measure of freedom given to the foreign exchange and bullion markets. All of these are genuine and substantial steps in the direction of convertibility. It does not, however, wish to see these steps hastened. "The goals of complete liberalisation and convertibility are being approached gradually and with caution and it may be expected that a similar attitude will characterise the further steps that are likely to be taken in this direction." This is certainly an apt curtain-raiser for an unsensational performance at the meeting that began in Washington on Thursday.

Having given its "all clear" on the dollar gap, the IMF report then tackles the second theme of its convertibility exercise, namely, the adequacy of the reserves in the non-dollar world. These are still regarded as being in need of reinforcement:

> If reserves are inadequate it might become necessary to abandon convertibility and to reintroduce exchange restrictions. Notwithstanding the remarkable improvement recently recorded fears still prevail that present monetary reserves may not be adequate to cope with contingencies.

Adequate reserves will be needed, in the view of the Fund because convertibility (unless it is merely a legal recognition of a *de facto* situation) is likely to put exchange markets and reserves under some pressure, at least in the short run. It is also pointed out that pressure on reserves may arise as a result of increased domestic demands for dollar goods. There is one passage in the report which significantly suggests that there may be other ways of keeping external payments and receipts in balance than drawing on reserves and that "in some situations this means the timely adjustment of exchange rates." But even with this veiled introduction of the principle of floating rates, it is evident that an expansion of external reserves will be needed if the move to convertibility is to be made compatible with expansion of trade.

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The IMF stands ready to fill the need. In self-defence against those who may expect too much it points out that the Fund's policy must be directed towards protecting the revolving character of its resources and that it must accordingly apply the principle that currency purchased from the Fund should not remain outstanding beyond the period reasonably related to the particular problem in respect of which the currency was first purchased. By a decision reached in February, 1952, it was suggested by the Fund that as a general rule this period should be from three to five years. It was also agreed at that time that for drawings within the "gold tranche" (that is, the proportion of a member country's subscription paid up in gold or dollars) members could draw on their facilities virtually without requiring the sanction of the Fund. These decisions were made effective until the end of 1953 but have now been extended *sine die*. That is the first direction in which the interpretation of the Fund's Articles of Agreement has been made somewhat more elastic.

A second and much more important illustration of this greater elasticity is provided by the restatement of the Fund's policy on "stand-by arrangements." These stand-by arrangements were intended to give member countries an assurance that they could count on the Fund's assistance in circumstances where access to its resources would serve the general objectives of the Fund. Initially, it was agreed that the credits granted under standby arrangements would be limited to periods of six months. It has since been announced that where standby arrangements may be required for longer periods—as for example in connection with positive programmes for maintaining or achieving convertibility—the necessary extension of the arrangements will in fact be granted. This decision also will continue in effect without any time-limit.

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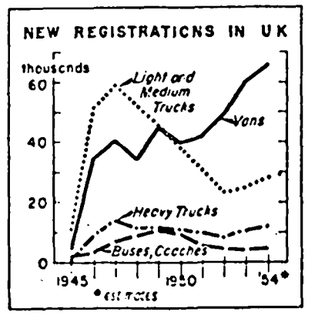
A final illustration of flexibility is provided by the fact that last year the Fund, for the first time, made use of the provision in Article 5 of the Articles of Agreement; this allows some modification of the normal limit on members' borrowing (that is, the amount that will not increase the Fund's holding of the member's currency by more than 25 per cent of the member's quota in any twelve-month period). One of these waivers was connected with a straightforward exchange transaction, and two others with standby arrangements.

This emphasis on flexibility should help the closer co-operation between the IMF and the European Payments Union, for which a strong plea is made in the annual report of the Managing Board of the EPU published in Paris this week. This points out that because it provides member countries with the machinery enabling them to adopt and maintain liberal trade policies, EPU will still have an important part to play during the transitional period pending a world system of convertibility. The flexibility of which the IMF is now capable—and which stands in happy contrast to the rigidities of attitude and techniques that constricted its policies in earlier years—will be put to exacting tests in the near future. These will occur in such matters as the provision of standby facilities for member countries and in closer co-operation with the European Payments Union; but most especially in the greater co-ordination with the trade rules of GATT which will certainly be called for when the reconsideration of that General Agreement on Tariffs and Trade takes place in Geneva towards the end of this year. It is, indeed, on the achievement of international working codes of trade and payments policies, and of appropriate harmony between them that the approach to convertibility on the part of sterling and other currencies now depends.

Higher Gear for Lorries

BRITISH manufacturers of commercial vehicles will be making their customary brave show at their annual exhibition at Earls Court this week-end with rather more reason to feel brave than they have had for the last three years. As the latest statistics of the industry show, production of commercial vehicles has at last begun to climb upwards, for the first time since 1950. The revival is still small—at the end of July it amounted to no more than a 7 per cent advance upon the depressed 1953 figures—but if it continues at the present rate for the rest of the year, 1954 may turn out to be almost as good as 1951, when 259,000 vehicles rolled off the assembly lines.

At the moment this recovery is precariously balanced upon bigger sales in foreign markets. The home market, which for so long has provided the van and lorry makers with a firm base for their export ventures, growing from 100,000 to 130,000 vehicles in the last seven years, dipped slightly at the beginning of this year. The latest return for July provides somewhat better news. Signs of improvement in the world market, on the other hand, are much more definite. The recovery started about a year ago, and has been felt by all the main producing countries. American manufacturers, for instance, have been shipping five vehicles this year for every four they sold in 1953. The United States, Britain and Western Germany still tend to sell commercial vehicles in different markets, separated either geographically or technically. The overlapping fringe between these markets, where intense competition takes place, has been widening. But it is mainly in the British industry's traditional markets that its successes this year have been chalked up; on the fringes, they have not.



Almost a half of the industry's exports in 1953 went to Australia, New Zealand and sterling area countries in Africa and south-east Asia—and shipments to these markets rose by 25 per cent in the first six months of this year. Elsewhere sales increased by 9 per cent or less. In Europe, where German competition is naturally fiercest, the British industry has made some notable advances in Portugal, the Low Countries and in Scandinavia, but in general British makes have not been making quite as much ground as some of their competitors. Complaints about competition during the recent recession competition tend to obscure the very creditable record the industry has built up for itself since the war. In the 'thirties British manufacturers had less than a tenth of the total world trade in trucks and 'buses; by 1950 they had carved out an export business larger than any other country. This leading position was lost as the world market shrank between 1951 and 1953, and the Germans started to push their way in again, but even in 1953, at the bottom of the trough, out of every three vehicles sold in export markets one had been made in Britain.

Will British firms be able to hold on to this substantial share of world business, or even increase it by venturing further on to the fringe markets? Glowing reports from salesmen in Australia are being tempered by the latest balance of payments stringency in that country. In other markets the easing of the dollar shortage has already lightened the task of American salesmen—as convertibility would lighten it further. The 25 per cent drop in domestic deliveries of commercial vehicles to the American home market has made United States manufacturers more than normally anxious to see their overseas sales graphs rise, though as yet there is no sign of "dumping." But if British goods and passenger vehicles are going to expand further they will have to face this competition and seek new markets in other parts of the world, particularly in Latin America where a quarter of the world's trade in these vehicles is to be found.

In future the industry will be playing more regularly upon its main opponent's own ground. Overseas needs in price, delivery, service, credit terms, and above all vehicle specifications will demand greater attention. At Earls Court this week makers are able to show that progress has already been made in the last direction. Heavier trucks designed specifically for work in overseas operating conditions have been given greater engine power rather than lighter weight or lower fuel consumption; passenger vehicles, however, are being built with lighter materials and underfloor engines to give lower operating costs and a bigger payload. The recent change in the regulations governing the dimensions and weights of goods vehicles using British roads was designed to help the industry to cater for the home and overseas markets at the same time, but the manufacturers still find that these markets are substantially different in their requirements.

Progress has also been made in the quest for lower vehicle and operating costs. Under the pressure of competition, prices have been forced slightly downwards over the last year or two. Large fleet owners have been getting larger discounts for multiple orders; and some overseas distributors have been paring down their margins. The lightening of order books has enabled most distributors to clear most of their arrears of orders, and delivery dates are noticeably shorter.

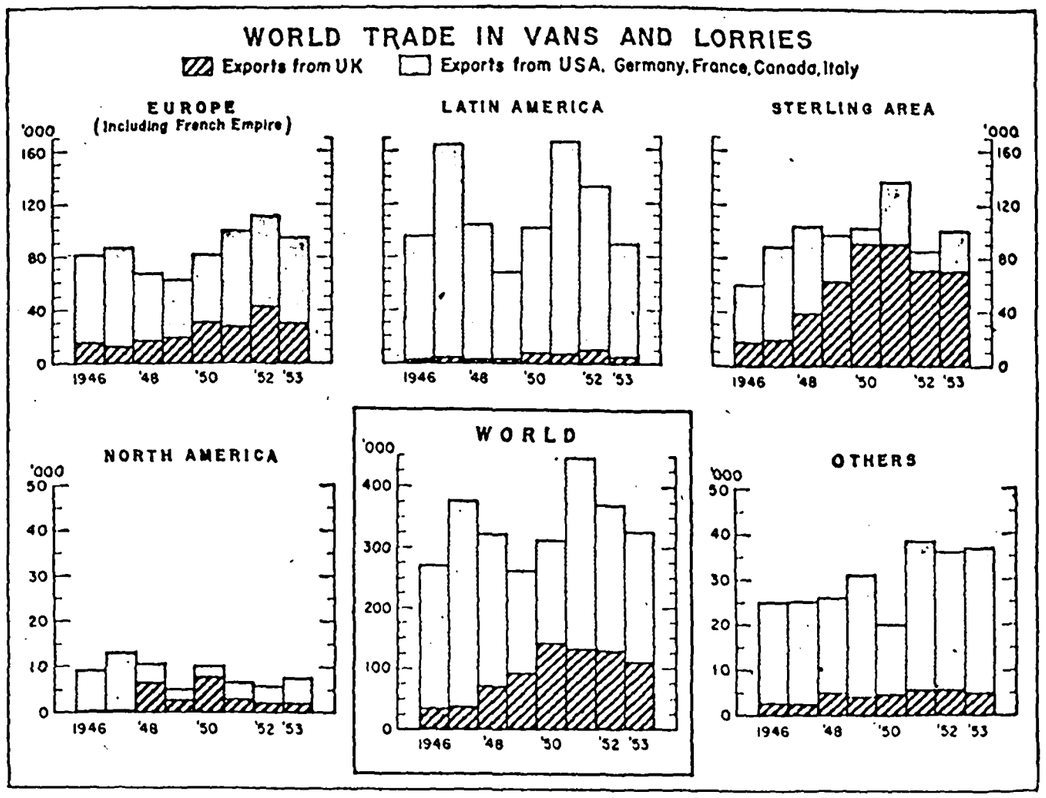
This search for economy in manufacture as well as design has brought several changes to the heavy and medium truck and 'bus industry, traditionally made up of some thirty or forty firms spread right across the country. Vehicle makers have moved backward into the engine and component fields, and forward to build up chains of assembling and manufacturing plants overseas, thus conforming to the tendency for erstwhile overseas customers to cultivate their own industries. Recent amalgamations at home have tended to make the two largest manufacturers of heavy vehicles, Leyland-Albion, and Associated Commercial Vehicles, even larger. Standardisation of components, on the other hand, has not been pushed very far in an industry of fairly short runs and a wide range of models. In the field of light to medium trucks, where American competition has always been strongest, the trend towards smaller diesel vehicles has gathered pace. The big car manufacturers, who can apply the methods and some of the components used to make cars to the construction of vans and small lorries, have now brought out vehicles of up to 3 tons unladen weight, equipped with their own interchangeable petrol or oil engines. Gas turbines are still under development for heavy commercial vehicles by several firms here and in the United States, but high fuel consumption and high initial costs still put the date for use outside the military field well into the future.

New registrations of diesel vehicles under 3 tons unladen weight have doubled in the last twelve months. By 1955 the industry expects to have 15-cwt, possibly 12-cwt, diesel-equipped vehicles on the market. Diesel engines may be cheaper to operate in the long run, but they also make a vehicle heavier; this is particularly important for vehicles of just under 3 tons unladen weight, at which point speed restrictions are imposed. But the efforts of vehicle designers to put lighter chassis and bodies on vehicles have been very successful; body makers, particularly, are becoming significant customers of the aluminium and plastic material industries. The exhibits at Earls Court illustrate new developments in this field as well as the way in which cab and vehicle design has improved, to the greater comfort of the driver and the greater safety of other road users. Articulated vehicles, mechanical loading devices mounted on the vehicles themselves, and the growing use of containers that can be handled just as easily by rail, road, or on the industrial truck inside the factory, are further examples of the way in which improved design is making road transport more efficient.

The dip in sales on the home market so far this year has been confined mainly to light and light-medium trucks in the 1½-ton to 2½-ton class, operating under "C" licences. For more than a year registrations in this size group have been falling. How far this drop is occurring because "C" licence holders are hoping to place with professional hauliers more of the occasional traffic that they have recently been carrying themselves in their own middle-weight vehicles is a matter of conjecture. This tendency seemed already to be discernible before nationalised transport began to sell off vehicles; it may increase as competition returns. But the industry is wondering whether the denationalisation of road haulage is not having other effects upon its market at home.

So far, the Road Haulage Disposals Board has sold nearly 8,300 of the vehicles owned by the nationalised British Road Services. Although the money to pay for these vehicles has been made fairly readily available by finance companies, the spending of £10 million in less than a year on these second-hand trucks is unlikely to leave the market for new vehicles entirely unaffected. Some two-thirds of the purchasers of BRS vehicles have been existing hauliers, willing to spend substantial sums on vehicles in varying stages of dilapidation merely to buy their way into long-distance haulage. To do this they might well be prepared to countenance a delay in their replacement programmes, such as these are, or in the rate at which they add new trucks to their fleets. The BRS fleet was only a small fraction of the total number of goods vehicles in use, though a more significant proportion of the heavier vehicles. Even at this stage it seems likely that nationalised transport will be left with a respectable fleet numbering perhaps 15,000-18,000 lorries, though its replacement programme at present obviously cannot assume so large a fleet. Since 1948 between £71 million and £93 million has been spent each year on new road goods vehicles; but nationalised transport has in fact contributed no more than £6-7 million, with the "C" licensed purchases forming the bulk of new registrations. Military orders to the tune of £80-90 million in each of the last few years have been adding further to the turnover of sections of the industry.

Although attention has naturally been focused upon the activities of the Disposals Board, it is still concerned with transferring the ownership of barely two per cent of the goods vehicles running on British roads. With an economy generally booming, particularly in the retail business where increased competition may lead back to greater use of delivery services and mobile shops, and the deliberate encouragement given to investment in the budget this year, manufacturers of commercial vehicles are hopeful that they can keep home sales slightly on the increase. Even the bus and coach makers have found their orders going up. But will the Government press ahead in making the road system adequate to carry the extra road traffic that these bigger sales of vehicles will bring?



Business Notes

Retreat and Rally

WHEN the last Stock Exchange account opened three weeks ago, hopes were still running high. Prices were hardening after an earlier relapse and speculators were buying store shares. But hopes were certainly dashed when the bull market in store shares was punctured. A parallel situation developed at the beginning of the new account this week. On the first day, there was a selective demand for equities, concentrated on oil shares, OFS developers, uranium producers and later on copper shares. This rally, which broadened out slightly on Thursday, may be little more than the usual reaction to the pronounced weakness in the market at the end of a difficult account, which had left operators in store shares and to a lesser degree in gold shares with stinging losses; these they tried to cover by undoing their original purchases and selling other equities. As a result the *Financial Times* ordinary share index, which at the beginning of the old account stood at 171.4, had fallen by the end of the account to 169.9, precisely 2 points lower than the all-time peak touched on August 30th. In spite of the selective rally in prices on Wednesday, the index slipped again, to 168.8, but buying was then concentrated on shares outside the industrial blue chip range; the only market leader that was really in demand was ICI, in advance of the interim dividend of 4 per cent.

The shake-out in store shares—and a dismal settlement day in prospect—must cause the hopeful operators in industrial equities to pause for reflection. So, too, must the switch in interest to Kaffirs, a portent which is sometimes associated with weakness, rather than strength, in the industrial market. There are, too, many new issues, as well as the Imperial Tobacco loan stock offer, hanging over the market. And there are more—the autumn refunding operation, a Gas Board loan and probably further steel issues not far over the horizon. Gilt-edged prices, however, are edging up; the tap price of "Eternity 3½'s" was raised another ⅛ to 97⅛ on Wednesday and the pointer of the economic barometer is still higher than "set fair." But retreat and rally usually imply the need for realignment and consolidation.

The Wounded Speculators

SPECULATORS in that hive of speculation, the store shares group, had a sad time in the stock exchange account that ended on Tuesday. Early in the account the bulls had charged recklessly on, lured more by the newly quoted stocks of Canadian and English Stores than by the better known counters. But the bull as well as the bull fighter knows "the moment of truth." A pause for reflection was enough to bring prices tumbling. In particular, speculators had to reflect on some awkward questions: how soon would Canadian and English Stores pay a deferred ordinary dividend of 250 per cent (a rate on which distributions on the other three classes of this company's shares turn) and how long would its managing director let the company have the interest-free use of his loan of up to £3½ million? Nervously reckoning the heavy losses which faced them when settlement day came round, some of the speculators had to sell in the falling market. Having burnt their fingers, they were not so prominent in the market on the first days of the new account; since some of the stocks had suffered so badly the significance of their slight rally may be little more than technical.

Special factors are always at work in this sector of the market, influencing the prices of individual stocks. Recently there has been a long list of them: the offer by Great Universal Stores for the shares of Hide and Company; the

Ordinary Shares:	Price 21.9.53	1954 High	1954 Low	Price 3.9.54	End Account price	Yield *
	s. d.	s. d.	s. d.	s. d.	s. d.	£ s. d.
Bentalls 2/-	34 1½	60 0	35 9	43 1½	55 7½	3 11 11
Can. & English Ot. Ind'ary 1/-	...	22 9	19 0	...	19 0	...
Can. & Eng. Pref. Ord. 4/-	...	55 9	21 1½	22 9	30 7½	...
DeBenhams 1/2	37 6½	50 6	32 0	43 6	46 0	4 8 11
Great Universal Stores 5/-	47 6	117 9	53 3	90 0	110 0	2 14 6
Hide & Co. 1/-	6 4½	8 1½	2 10½	5 0	6 6	3 16 11
House of Fraser 5/-	95 0	47 6	25 10½	41 0	44 9	4 9 5
Jones & Higgins £1	45 0	109 4½	40 0	72 6	106 3	2 10 10
United Drapery 5/-	29 3	45 9	13 0	36 3	41 10½	2 19 8
Whiteley £1	75 0	75 1½	59 4½	67 6	64 4½	Nil
Marks & Spencer A 5/-	62 6	63 0	36 11	54 0	60 0	2 14 2
Woolworth 5/-	59 0	83 9	64 0	75 3	88 6	3 7 10
Financial Times Ordinary Index	*126 0*	*171·9*	*131·1*	*161·7*	*169·9*	*4·69*

*Based on last full financial year's dividend, after adjustments for free scrip issues. 14/- shares.

counter offers by Great Universal Stores and Macowards for the shares of Jones and Higgins; and the maintained interim dividend of United Drapery Stores on its ordinary capital as increased by a 100 per cent free scrip issue. But these factors all spring from the same root. The continual process of bid, take-over and amalgamation gives the market speculator his chance because he knows that there are undisclosed asset values in many of these companies' properties. (The directors of Jones and Higgins, for instance, put an asset value of £6 on the company's shares.) The directors know it, too; hence they are more liberal than most with their dividends and scrip issues. Such blue chips as the Woolworth ordinary stock stand on a different footing; here earnings are the key. Inevitably, the announcement of a 50 per cent free scrip issue from Woolworth sent dividend hopes soaring and the price of the 5s. ordinary stock units up to a new peak of 90s. 3d. on Thursday. But in all these cases, speculation was doing its job of trying to establish a true economic price.

Activity in the Capital Market

THE ability of both private and institutional investors to absorb new capital issues is being tested to the full. There was little of the customary respite in the capital market during the holiday months and now September has brought its usual spurt in activity. The successful "rights" issue by Vickers, which was covered more than one and a half times by excess share applications alone, served as the prelude to two other "rights" issue of a smaller calibre. The impending "rights" offer by Olds Discount of 920,000 5s. ordinary shares at about 12s. each (compared with the current market price of 22s. 6d.) is a direct successor of the easing of the restrictions on hire-purchase credit. The directors of this industrial banking company, which has a considerable interest in financing hire-purchase contracts, state that the business has been running at a higher level than in 1953. The second "rights" issue, that by the British Tabulating Machine Company, is also designed to provide additional capital. In addition to the "rights" offer of 356,250 £1 ordinary shares at 22s. 6d. each, some 168,750 £1 ordinary shares are being placed at par with the Finance Corporation for Industry. That issue is linked with the offer to the public of £2,250,000 of a 4½ per cent debenture stock (1975-80) at 98½, for these loan proceeds will be used to repay an outstanding loan of £2,250,000 from FCI.

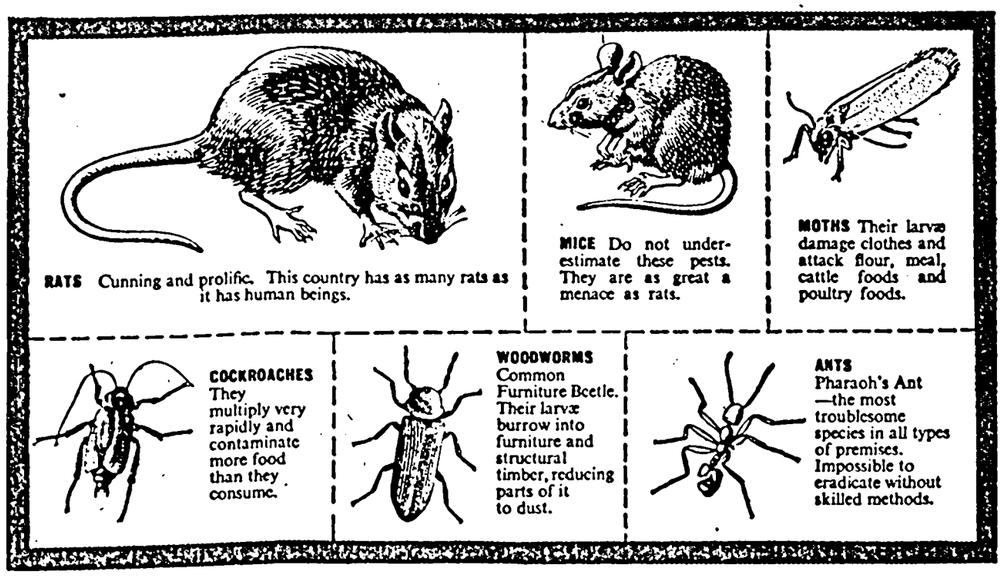
A further claim on the purses of British investors is made by a repatriation of British capital from the United States arranged by Lazard Brothers. This house has agreed to buy from the Electric Storage Battery Company of Philadelphia its £1,573,688 holding of the "A" ordinary stock of the Chloride Electric Storage Company, which will be offered to the public at 63s. each, free of stamp. In the opposite direction to this offer stand the arrangements for financing the construction of Roan Antelope's new electrolytic copper refinery at Ndola, in Northern Rhodesia. The estimated development cost of £3 million will be met as to two-thirds by the producer, Roan Antelope, and as to one-third by a consumer, British Insulated Callender's Cables, by periodic subscriptions at par for the ordinary shares of Ndola Copper Refineries. Many facets of the capital market—the export and repatriation of capital as well as domestic issues—have been on display this week. They have this in common: by making their calls on investible funds they must ultimately have some effect on stock market values.

Building Societies Argument

THE attempt to stir up newspaper readers to demand a reduction of the rates that building societies are charging for mortgage loans is not a very helpful contribution to a matter of serious discussion. There has been evidence for at least two months past that sharp differences of opinion about mortgage rates were exercising the building society movement. Last July, rumour credited the Halifax Building Society with the intention of reducing its mortgage rates—from 4½ per cent to 4 per cent—and this, the largest member of the movement, is now thought to be preparing

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for this reduction from October 1st. This week, Mr F. E. Lumb, the chairman of the Building Societies' Association, spelled out, more explicitly than earlier statements of the Association had done, its reasons for differing from the intention of the Halifax to reduce its mortgage rates.

It is a reasoned case; whether it is a conclusive case depends on the accuracy of the Association's judgment on the reactions of building society shareholders to a reduction in the rates paid to them. For, in Mr Lumb's view, the present margin between a 4½ per cent borrowers' rate and a 2½ per cent investors rate is fully absorbed:

Estimated tax liability	£1 1s. 0d.
Management expenses	11s. 7d.
To reserves	7s. 1d.
	£1 19s. 8d.

Management expenses per cent have fallen (as they should, given the movement's expanded resources) and the reserves have not been excessively expanded. Therefore, the key to lower mortgage rates, in the Association's view, is the acceptability of lower investment rates. And given the competition of other savings media and "the evidence that our present funds, large as they are, are insufficient to meet the current demand for mortgage loans," the Council of the Association "has no hesitation in stating its considered opinion that the share rate should remain at 2½ per cent for the present"—a rate to which it was raised in 1952—and that 4½ per cent for borrowers is "fair and reasonable."

The fact remains, however, that the Halifax seems to attract money at any average rate of 2¾ per cent. Its intended reduction of mortgage rates to 4 per cent thus implies that it can work on a margin of 1¼ per cent. It is unlikely that the Halifax will depart from the stringent lending standards that it has always imposed and set a booming pace for new advances, but the fact that it will be lending on level terms with the local authorities will not leave the other large societies in a comfortable competitive posture. Sooner rather than later, some of them will be irresistibly impelled to re-examine the relation between their borrowing and lending rates, and to see whether all the factors are so immutable as the Association has argued this week.

Humility in the Coal Board

The terms in which Sir Andrew Bryan last week discussed "the acute tensions" within the National Coal Board "that threaten to strain the industry beyond its breaking point" were deliberately oracular; but he made it clear that he was not talking about labour relations alone. The human problems that now beset the board, in his view, are more subtle and complex than any simple projection of "the old strife between the cloth caps and the silk hats"; indeed, they have yet to be fully identified, let alone solved. Two major elements in such problems, he felt, were the size of the industry, though this had its advantages as well; and the peculiar legal allocation of responsibility for mining to owners—now the one huge nationalised coalowner—and to managers, which he thought exaggerated the tendency in all large organisations to look at all problems "from the top downwards." In his own view, the proper responsibility of every executive, at all levels in the hierarchy, was to explain the technical objective, and then apply himself to finding how to help his subordinates to get on with the job.

Sir Andrew is one of the country's most distinguished mining engineers, and he has a probably unequalled knowledge of the way in which morale affects mining. It is useful to have a member of the board concentrating on the significance of these problems, which certainly are straining the industry's chain of responsibility. Most outside observers would probably agree that they arise mainly from the vast size of the Coal Board—plus perhaps the further fact of public ownership, with the continued, pitiless and not always understanding public scrutiny which that involves. Moreover, an industry dependent to so large a degree upon human effort, despite mechanisation, must put its human relations high on every agenda, and Sir Andrew's interest in "the work of the social scientist in industry" is understandable.

Nevertheless, not everyone will accept his chosen emphasis without hesitation. Technically, the immediate need of the coal industry is perhaps to spread the benefit of a dangerously small supply of first-class managing talent—in all branches—as widely as possible through the mines that it hopes to keep operating. If that should generate further internal tensions in the short run, as is likely, such troubles are something that the Coal Board has to live with for a while. So much the more need, admittedly, to identify the tensions and try to dissolve them, and to make the influence of the industry's too few good men everywhere as acceptable as possible. But whether this is quite the right time to demand more humility from managers in coal—and particularly at each individual pit—is highly questionable.

Talent for ITA

Talent is generally considered to be the most scarce resource in running television programmes, and the BBC has for some time quietly been signing up a number of its most valued performers to long-term contracts, at fairly generous rates, that will preclude any programme contractors to the Independent Television Authority from overbidding their services. The latest entrant to the field of would-be programme contractors to the ITA seems to be primarily organised with this principle in mind; it constitutes a very formidable assemblage of contractual claims on the talent that television must use. This Incorporated Television Programme Company unites two of the largest organisations in the theatre business, a very large performers' agency, the main British representative of commercial radio interests abroad, and representatives of the cinema and publicity businesses.

It is, therefore, a very powerful newcomer, with whom some of the names already disclosed among intending programme contractors may not find it easy to compete. Those in the field already include Granada Cinemas, Odhams Press, and the Associated Broadcast Development Company, an organisation formed by radio and film companies that can probably call upon greater administrative and technical resources than any other private group, but has not as

yet indicated which performers it can corral to present. Associated British Film Corporation, the second of the country's film combines, has an application in to the ITA that now appears to be more serious than the merely defensive applications put in by some other companies in businesses with which commercial television may compete. The J. Arthur Rank Organisation this week consolidated its interests in screen advertising and the making of short advertising films, mentioning specifically that it would be prepared to make short programmes for television; but it repeated that for the present it would not apply to become a programme contractor.

British Bicycles in America

IN 1953 the United States became Britain's most important overseas customer for pedal cycles, and has remained so this year; and Britain is by far the largest supplier of foreign bicycles on the American market. Last year's exports to the States totalled more than 400,000 machines, about a fifth of Britain's exports and two-thirds of America's imports; during the first eight months of this year the numbers sent there from Britain have increased by about 12 per cent while total sales of American-made cycles, according to their trade lobby, have fallen by about 45 per cent. This is the background against which the American cycle manufacturers this week began presenting their case for increased protection before the United States Tariff Commission.

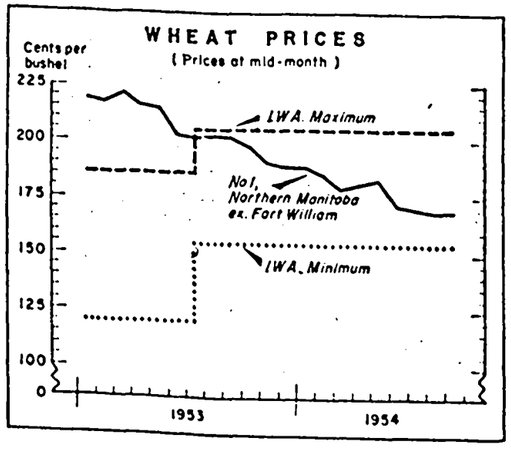
It is worrying the British cycle industry considerably. The success of the foreign cycle, and particularly of the British makes, in the United States, seems to have stemmed primarily from the fact that it is a real means of transport and not a blown-up toy motor-cycle. The showy, clumsy American cycle, weighed down by its thick frame and wheels as much as by the dummy petrol tank it often carries, was at one time considered something that the American cyclist would never consent to give up; but since 1950, when sales of foreign cycles for the first time began to form a significant share of the American market, he has been registering his vote with dollars for something less ponderous. The American makers, so far, have not altered their own designs to any great extent, though some of them have begun to distribute British cycles under their own trade names, and one or two have begun to make lightweight cycles. But the current tariff—which ranges from 7½ to 15 per cent—does not prevent British and other foreign cycles from competing on price; hence the more traditional American industrial reaction to competition from overseas with a cheaper and better product.

Reprieve for Wheat

NATURE sometimes steps in to relieve her own—and man's—prodigality. Bad weather has probably rescued world wheat prices from the threat of a further decline this year. After three bumper harvests in succession, Canada's wheat crop has been drastically reduced. In the United States the total crop will be smaller than was expected when the acreage restrictions were announced. The reductions in North America are admittedly trivial in relation to the total supply, but they have at least prevented the surplus from getting worse. Poor harvests in most European countries, and the running down of stocks, have increased the demand on the world market. Buyers are still cautious, but they are perceptibly less bearish than

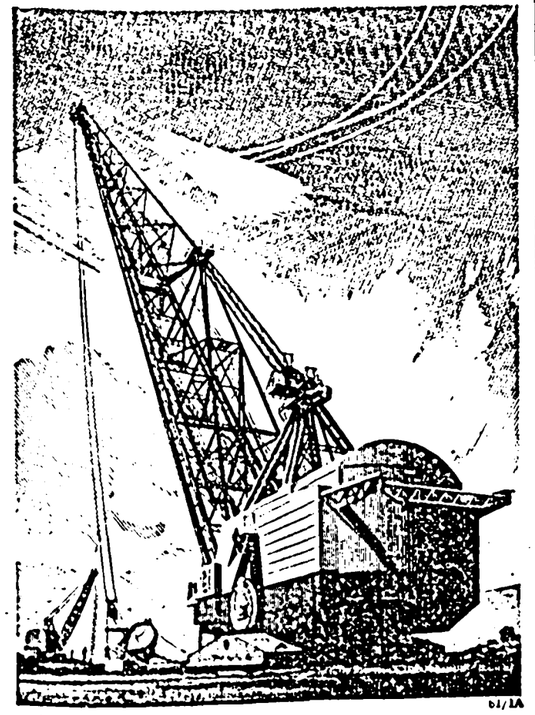
NORTH AMERICAN CROPS
(Millions of Bushels)

	Carry-over into 1954/55	Aug. 1st Estimate	Sept. 1st Estimate	*1953/54 Crop*
Canada	583	513	378	*614*
United States ...	903	978	962	*1,169*



before. Prices may well hold steady for some time, or even rise a little. When the International Wheat Council meets in London next month, the atmosphere should be more relaxed than at its earlier meeting in June.

There is less reason now to expect the United States government to drop its price to the equivalent of $1.55 a bushel for No. 1 Manitoba wheat, the minimum in the International Wheat Agreement, and call on importers to take up their quotas in full. The government has been pressed to do this to increase American sales at the expense of the "outside" exporters, principally Argentina. The threat of such action itself has evidently induced the importers to buy more wheat under the agreement. In the first seven weeks of this season purchases totalled 2.1 million tons, one-fifth of the total quotas, and nearly twice as much as in the same period of last year. Wheat prices may still be threatened from other directions, however. If the United States pushes sales of wheat too vigorously under its expanded programme for the disposal of surplus commodities, other exporters could be forced to retaliate by cutting prices. There is also a possibility that Russia may be an aggressive seller of wheat later in the season.





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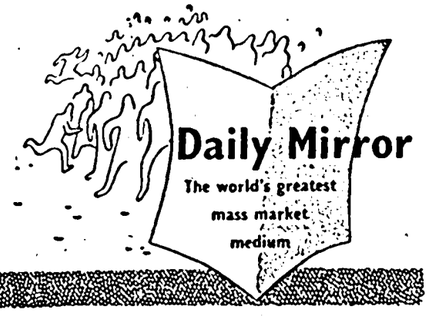
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Huge Expansion for Vauxhall

THE £36 million expansion for Vauxhall Motors, announced in London this week by Mr Harlow Curtice, president of its parent company, General Motors, was described as providing for the doubling of Vauxhall's current rate of exports. This was put at 57 per cent of a total output of some 130,000 vehicles a year, thus implying an increase of about 20,000 in the annual output of vehicles ; But Mr Curtice spoke also of General Motors' confidence that car ownership in Britain will expand at an increasing rate, so that the five-year programme of investment for the company may well raise total output far more than that.

Mr Curtice discounted the rumours that Vauxhall has plans to build a baby car following its extensions at Dunstable and at Luton—but he admitted that the company is thinking in terms of a smaller car than it now produces. Vauxhall, probably the industry's third largest producer, at present turns out the Wyvern and Velox, models in the medium and larger parts of the popular-priced range ; it has no car to compete with Ford's Anglia and Prefect or the British Motor Corporation's Morris Minor and Austin Seven.

Proof from Mr Clore

THE proof of any pudding is in the eating, not in the mixing. As was noted in these columns last week, Mr Charles Clore is mixing two puddings with the apparent object of separating the boot and shoe business (concentrated in Freeman, Hardy and Willis) from his other more wide-ranging interests (grouped under the control of J. Sears). Further ingredients were added to the mixture last week-end. The long expected 100 per cent free scrip issue from Bentley Engineering, taking the form of non-voting "A" ordinary shares, was announced, accompanied by the virtual promise that a dividend of 25 per cent will be maintained on the doubled capital. Another proposal will convert the preference share issues of Bentley Engineering and its two subsidiaries, Mellor Bromley and Wildt and Company, into a single class of 6 per cent preference shares ; the precise terms of this consolidation are still under discussion but it is believed they will include a small issue of the Bentley Engineering "A" ordinary shares. (There has also been a hint of another possibility, a free scrip issue from J. Sears itself.) The intention behind these moves, and those announced last week, is clear: it is to separate the boot and shoe business, which has to carry the cost of the original Sears property deals in the shape of a higher rent roll, from Mr Clore's other interests (including hosiery knitting machines and shipbuilding) which were created partly with the help of the proceeds of the property deals.

The minority shareholders in J. Sears seem to have no cause for complaint with these arrangements. They were told almost from the outset that the money arising from the property deals was to be invested in "sound and progressive businesses." The modernisation of some of the Freeman, Hardy and Willis shops also makes it clear that part of the money is being spent on invigorating the boot and shoe business. Nor should the minority shareholders forget that Mr Clore's original bid would not have appeared so worthwhile if all the money released from the Sears property deals had had to be ploughed back into the boot and shoe business to set it firmly on its feet. In any case, those shareholders who were content to retain a minority interest in the Sears equity tacitly threw in their lot with Mr Clore, and accepted the fact of his control. They may have gone along with him in the hope of a cash distribution, but they must have recognised by their investment that the final decision was his. They can hardly grumble if he has decided to invest the money and not to distribute it.

Beyond that, judgment must be deferred. The soundness of Mr Clore's choice of investments can be tested only by their future earnings record. As for Mr Clore's methods, his past history shows that he has moved in and out of various businesses, usually carrying some profit with him. Unconventional cooks who mix their ingredients with a dash cater for adventurous palates.

A More International Bank

A WELCOME broadening in the sources of finance of the International Bank for Reconstruction and Development has been announced this week by the Bank's president, Mr Eugene Black. An issue of the Bank's bonds in US dollars to the value of $50 million has been placed with private and institutional investors in twenty-three countries outside the United States. This is the first such issue to have been undertaken by the Bank, though dollar bonds marketed in the United States have been available for subscription abroad. It is encouraging, therefore, that the issue was an unqualified success. Applications reached $78 million, and allotments had to be scaled down accordingly. Mr Black justifiably claims that this reflects not only the improvement in the world's dollar balance but also an increasing interest on the part of foreign institutional investors in international investment and "the willingness of the Bank's member countries to co-operate [with the Bank] even to the extent of allowing the Bank to raise a part of its dollar requirements in their investment markets."

Investors in Britain had some share in taking up the Bank's dollar securities ; it was handled by a group of six merchant banks, but it was a smaller one than many of them would have wished. The authorities did not make available any fresh supplies of dollars to finance the investment, so that participation was possible only through switching from other dollar securities.

The issue takes the form of Five-Year Bonds, maturing in September, 1959, and carrying the attractive interest rate of 2½ per cent. It carries further what Mr Black deems "the most significant development affecting the Bank over the last twelve months"—the rapid expansion of the market for its bonds abroad. A total of $225 million of dollar bonds has now been offered by the Bank in the past year ; and of this fully $100 million has been taken up by the investors outside the United States, who have also taken up issues in Canadian dollars, Swiss francs, Netherlands guilders and sterling to a total equivalent to an additional $70 million. The World Bank is becoming truly international in form as well as name.

Royal Dutch-Shell Earnings

THE directors, managers and accountants of the Royal Dutch-Shell group deserve congratulations for their half year's statement of profits on two counts. First, the stupendous task of compiling the results of this world-wide organisation has been accomplished with speed and without pretension. Secondly, the figures themselves make an excellent showing. They are, of course, subject to audit and they might be best regarded as indicators of a trend in earnings rather than as precise accounting aggregates. The group's net income before tax amounts to £124.7 million for the six months to June 30th, about £12 million higher than the untaxed profits of the first half of 1953. This improvement, which is slightly better than those shown by many of the half yearly reports of American oil companies, is in keeping with a gradual improvement in trade and firm prices for oil. The seasonal element in the profits of such an international organisation is likely to be small—at least the 1953 figures do not suggest the contrary—and for the past half year the interim results suggest most satisfactory results for 1954 as a whole.

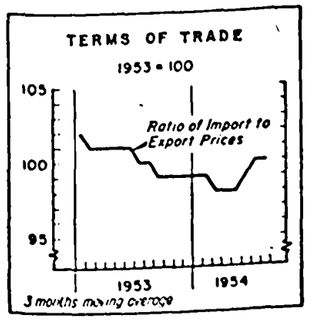
ESTIMATED EARNINGS OF ROYAL DUTCH-SHELL GROUP
(£'000's)

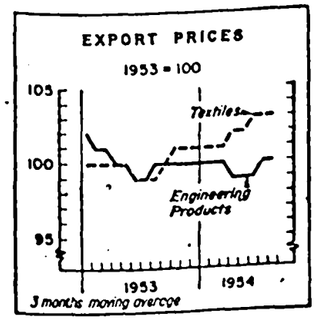
	Year ended Dec. 31, 1953	Six months ended June 30, 1953	Six months ended June 30, 1954
Net income, before tax	230,229	112,750	124,716
Taxation	83,074	43,145	46,646
Minority interests	16,742	7,083	8,877
Net income, after tax	130,413	62,542	69,193

No part of the net income of £69 million has yet been distributed to the parent companies, Royal Dutch and "Shell" Transport and Trading, which share, respectively, in a 60/40 ratio. But the figures have strengthened the market's belief that last year's dividend rates will be maintained on the ordinary capitals as increased by the 20 per cent free scrip issues ; the Shell stock units were marked up 10½s. and the Royal Dutch units to 43½ after the statement was published. Its publication and the quarterly statements that are expected next year spring directly from the listing of the Royal Dutch stock units on the New York Stock Exchange. Could not other oil companies—and, indeed, some of the leviathans in other industries—follow this lead without the help of a special spur ?

Iranian Oil Agreement

THIS week an aircraft has carried the signed original of the oil agreement with Iran from Teheran to New York. Another aircraft has taken an advance party from London to Abadan to prepare the way for restarting the refinery. The text of the agreement has been published simultaneously with Dr Amini's appeal to the Majlis to ratify it—which is bound to take some time. The agreement itself covers only the relations between the members of the Consortium and Iran ; the agreement between Anglo-Iranian and the other members of the Consortium is a separate matter ; so are the constitutions of the operating, refinery and holding companies through which

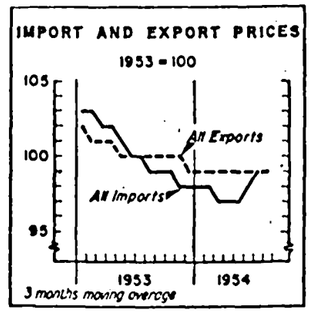


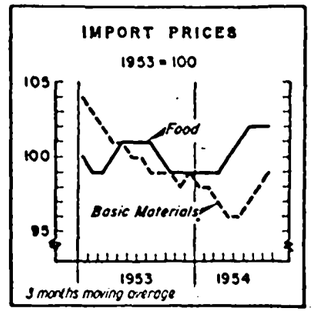


Rise in Export Prices

The recent slight worsening in Britain's terms of trade was checked in August. The ratio of import to export prices fell by two points to 99 (1953 = 100), the level that has ruled, with minor fluctuations, for the past year. Import prices as a whole were unchanged at 99 for the third successive month, but export prices, which in July fell by one point—the first change for eight months—rose by two points to 100. The rise reflected a general advance among all the main groups of manufactures. Metals, engineering products and textiles all rose by one point, and "other manufactures," the miscellaneous group in which chemicals are the largest item, rose by three points. The index figures in the charts have been expressed as a three months' moving average to illustrate the trend more clearly.

This favourable movement in the terms of trade serves to emphasise that no marked deterioration is in prospect. Competition in world markets should restrain a rise, and the buoyancy of demand a fall, in prices of manufactures. And barring another political crisis, prices of primary products are unlikely to rise much unless there is a sharp recovery in American industrial production.





the consortium will work. The treaty between Iran and the oil industry's club is, so to say, published to the world; but the rules of the club itself are not.

Hence, on compensation to AIOC, the treaty sets down the origins of the net payment of £25 million, payable by Iran in ten yearly instalments from January, 1, 1957. There is nothing in it about the consideration payable to AIOC by the other companies. It also sets out the elaborate arrangements for writing off refining and operating assets by a charge of £6,700,000 a year for ten years, and by similar ten-year extinction of new assets—all such provisions being chargeable as operating expenses and therefore moderating the net profit in which Iran has a 50:50 share. If the care that the legal draftsmen have exercised was the sole condition of success, the agreement ought to work satisfactorily for all parties. It is now for Iran to make success final and real.

Diverging Trends in Advances

THE quarterly analysis of bank advances published by the British Bankers' Association once more contains as its most striking feature a contrast between the voracity in the demand for bank finance displayed by the public sector of industry and the limited nature of the extent of the demands of the private sector proper. Total advances between mid-May and mid-August increased by £40.1 million; but of this total all but £350,000 is attributable to an increase in borrowings of the public utilities group. The first call on the Electricity loan launched to fund bank borrowing just missed the August make-up, and the utilities' borrowings have accordingly leaped to the record level of £158.0 million. Moreover, local authorities increased their borrowings in the three months by £15.4 million, bringing their total overdraft to the highest figure for three years, and net loans outstanding to personal and professional borrowers rose by a further £3.4 million. Private trade and industry, which accounts for the great bulk of the remaining groups in the classification, thus actually reduced its borrowings by some £19 million in the three months.

It is important, however, to see this fall in its true perspective. The high summer is seasonally a period in which a number of important groups, such as food, drink and tobacco and retail trade, reduce their calls on bank finance, and the fall in private trade and industry's indebtedness to the banks in this quarter was in fact much more than accounted for by the repayments of these two groups, at £22.6 million and £12.8 million respectively. Moreover, the net repayments made by the private trade and industry groups were considerably smaller than the repayments of £41.2 million made in the corresponding months of 1953. Last year, moreover, these were accompanied by repayments of £34.2 million made by the public utilities from the proceeds of the public issues of the BEA and of the Gas Council, and total advances in the three months to August, 1953, actually fell by £76.6 million, in contrast with this year's increase of £40.1 million.

The only important industrial group, apart from food, drink and tobacco and retail trade, that made significant repayments to the banks in the three months to August, was the small coal mining group, which reduced its overdraft by 30 per cent, to £1.4 million. As many as twelve of the nineteen groups that can be specifically classed as representing trade or industry registered an increase in borrowing over the three months, but on the whole the increases were quite small. The miscellaneous group increased its borrowing by £8.4 million to £117.1 million; agriculture and fishing by £7.4 million to £216.8 million; and the engineering group by £3.6 million to £135.9 million. Industry, it appears, is still adequately provided with liquid resources of its own to finance booming levels of activity without appreciable additional recourse to the banks.

Shake-out in Coffee Prices

THE coffee market is still troubled by the events of last month in Brazil. The devaluation of the minimum export price, the steep drop in prices that followed, the death of President Vargas and the uncertainty about the financial measures to be taken by the new finance minister have completely destroyed market confidence. The New York Exchange remains extremely nervous, and prices are fluctuating with each breath of rumour from Brazil. Buyers are prudently taking only their minimum needs while they await a fresh announcement by the finance minister and news of the flowering of the 1955-56 crop in Brazil. Brazilian "superior" grade coffee is now about 567s. a cwt fob Santos, a drop of some 160s. a cwt in six weeks and roughly 230s. below the peak reached early in April. Colombian coffee, which is being supported by official buying both in the interior and New York, is about $88 per 50 kilos fob, but some exporters are able to offer at about $82.

If the new finance minister, Senor Eugenio Gudin, can restore confidence to the market, the shake-out in coffee prices can do nothing but good. Extremely high prices earlier this year were turning the public away from coffee; now it is probable that consumption will recover. In the United States, which is by far the largest consumer, retail prices have been reduced by between 10 and 15 cents a lb, and some shops are charging less than $1 a lb in the bag. The shortage of coffee has not disappeared, but increased production in the smaller producing countries as a whole may offset the drop in the 1954-55 Brazilian crop. When prices fall, coffee appears from the most unlikely places.

Preparing for the Tin Agreement

THE International Tin Agreement was brought another step nearer to realisation by the meeting of the interim committee in London this week. The meeting was attended by all the signatory countries, thus constituting *de facto* the Tin Council. The statements of delegates indicated that the agreement should be ratified in time to enable the council proper to meet in December. It will then decide when the agreement is to come into force. The council will probably choose the earliest possible date, for the American strategic contracts, which are absorbing the

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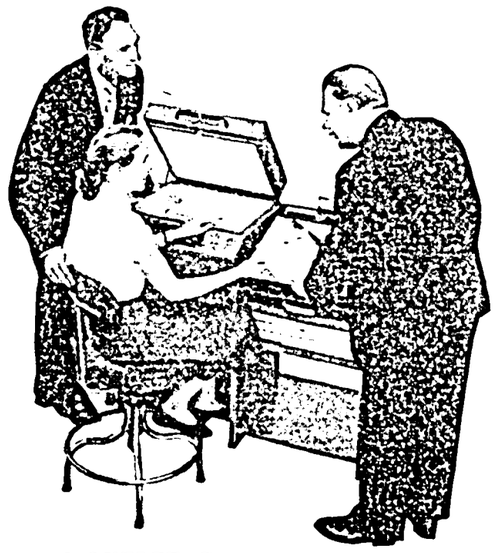
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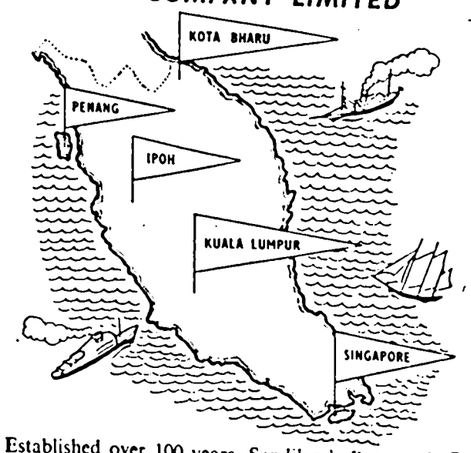
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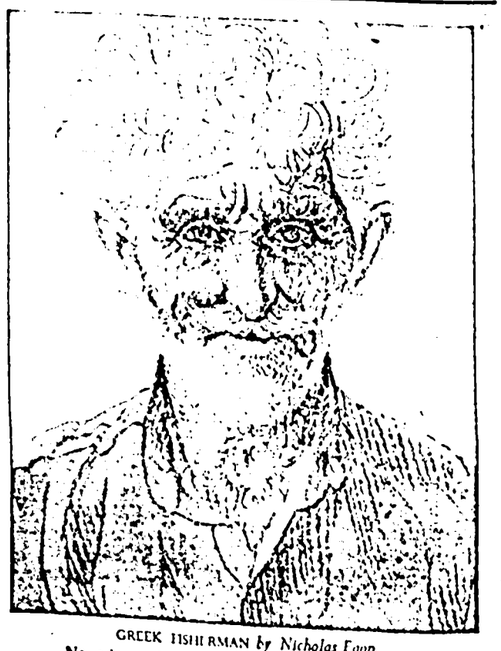
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surplus, expire in March. If the council immediately gave the producing countries three months' notice to make their contributions to the scheme, the manager of the buffer stock would have cash to buy tin when the surplus appeared on the market.

The committee agreed on the draft rules of procedure for the council and drew up a draft agenda for its first meeting. The French proposal that the maximum price should be lowered from £880 to £840 a ton was placed on the agenda. As France had already obtained an assurance of support from certain consuming countries that also have producing interests, its proposal may be accepted. The committee also agreed to propose M. Georges Peter, chairman of the interim committee and of the management committee of the Tin Study Group, to the chairmanship of the council, and on the names to be proposed for the other appointments.

Better than a Bullock

QUITE justifiably, Viscount Halsbury this week recounted with a certain flourish the origins of Sir Harry Ricardo's new specialised steam engine—a small prime mover designed specifically for Eastern countries that cannot afford conventional fuels for the power they need so desperately. The idea—which has become the first private invention brought to fruition, or at least public presentation, with the support of the National Research Development Corporation headed by Lord Halsbury—first arose in conversations between scientists, including Sir Shenti Bhetnagar in India and Professor P. M. S. Blackett and Sir Ben Lockspeiser in Britain. Sir Harry Ricardo learned of the problem—which can be summarised in the fact that to run a 5 h.p. diesel continuously in every Indian village would involve a yearly bill of £125 million for imported fuel. He thought of substituting a small steam engine that could burn everything—from oil, gas, coal to dung.

The idea was simple enough; but to design a small steam engine that with its boiler could compete in cost with a diesel was not. The NRDC gave Sir Harry a research and development contract to turn out a prototype; then placed small production orders with engineering firms. For some months, finally, it has been testing these at the Sondes Place Research Institute, under the supervision of its consultant, Brigadier Cox, who erected the Sindir fertiliser plant in India. It demonstrated these prototypes, doing some of the jobs they might be called on to do, this week, and now hopes that manufacturers will apply for licences to manufacture the various patentable features of the Ricardo engine. The engine is intended to replace the bullock, for which Lord Halsbury had few good words to say:

> a prime mover with a high draw bar pull at low speeds; its velocity is limited at low speeds; it is useful for one month or at most two months in the year and has to be supplied with a constant fuel consumption for not less than 10 and perhaps as many as 11 months in the year. Even in respect of its one virtue, the ability to live and reproduce its kind off the land, it is hopelessly uneconomic.

Sir Harry's successor to the bullock is far more virtuous; given an acre on which sugar cane can be grown for its fuelling, the engine will irrigate 15 waterless acres to grow sugar cane for food. This is a good tale, but a small one; possibly among NRDC's other 2,500 patents—based far more often upon work done in government departments than by the private inventor—Viscount Halsbury can find some others to impress the corporation's critics.

SHORTER NOTES

In spite of the increased prices that it obtained for its coal in the second quarter of the year, the National Coal Board did not make enough profits from collieries and ancilliaries to cover the interest it has to pay, its provision for taxation, and the loss it incurred on selling imported coals at British prices. It therefore showed a deficit on the quarter of £264,905 after providing £4,650,000 for interest payable to the former coal owners and the Minister of Fuel and Power. In the current quarter, of course, it has for the first time had the full benefit of its price increase in May—which until the end of August was partly offset by the reduced prices for coal bought in the summer.

★

Dorman Long and Company is to transfer its trading activities to three new wholly owned subsidiary companies at the beginning of October. Dorman Long (Bridge and Engineering) Ltd., will take over the work of the company's structural engineering division at Middlesbrough and Luton (making a second structural engineering subsidiary in addition to Redpath Brown). Dorman Long (Chemicals), Ltd., will take over the company's coal by-products distillation at Port Clarence. The main steel-making activities of the company will be taken over by Dorman Long (Steel), Ltd. The parent company will continue, as a holding company, to co-ordinate the general policy of the group.

★

A block of 900,000 non-voting "A" ordinary shares of Amalgamated Press, arising from the sale of part of the Berry family holdings after the death of Lord Camrose, has been placed with insurance and investment companies and dealers on the Stock Exchange. The deal is believed to have taken place at a price a little below the "middle" of 38s. 9d., so that it involved about £1.7 million. Only a small proportion of the shares are available in the market.

★

The squeeze in copper sent prices on the London market to a new peak on Thursday this week, cash copper rising to £274 a ton and three months' to £252.

★

The Dutch exchange control authorities have announced relaxations that extend the freedom of Dutch holders of balances of foreign currency that are blocked abroad to dispose of these balances. The balances can now be used for the purchase of foreign securities officially quoted in the country in which the balances are held, and also for the purchase of real estate. They can also be sold to other Dutch residents or to non-residents in exchange for dollars, Swiss francs or guilders in free accounts.

Company Notes

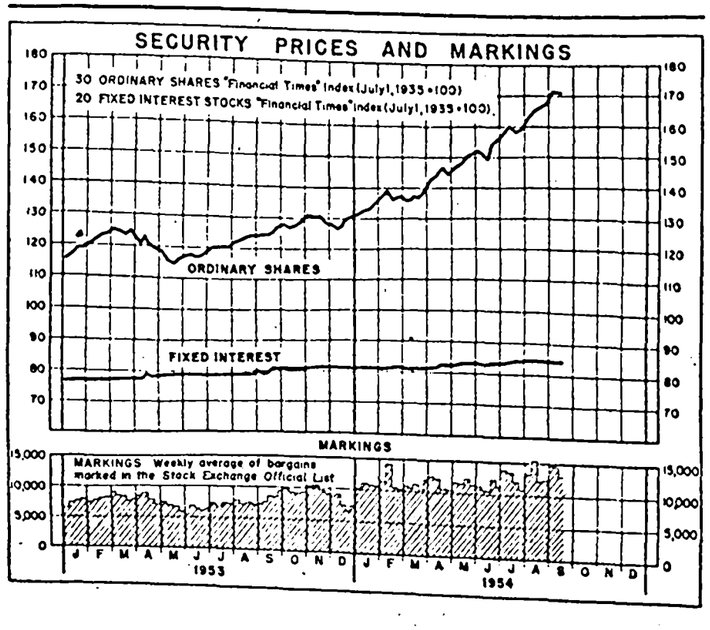
CALICO PRINTERS. From a distinctly complicated preliminary report (for the year to June 30th) from Calico Printers, one figure emerges with clarity: the ordinary dividend rate is 15 per cent, compared with 12½ per cent in 1952-53. Satisfied, and perhaps surprised, by this dividend, shareholders may feel inclined —if not obliged by the character of the statement—to leave the study of the profit figures until the full accounts are published. The parent company's net profits are shown to have risen from £216,255 to £274,587, and on the evidence of a list of increased charges it seems that trading profits must also have increased. The net profit barely covers preference and ordinary dividend payments; the appropriation of £300,000 to an overseas investment reserve has been balanced by the release of tax credits. The group's net profits, on the other hand, are shown to have fallen from £774,131 to £587,296. But the 1952-53 figure was struck after writing back £769,347 from excess profits tax provisions. Similar tax credits, though these are unspecified, appear to be included in the latest year's net profit; the assumption must be that the true cover on the ordinary dividend provided by group earnings has increased.

The directors are more specific about the course of trade. Turnover on commission printing has remained practically unchanged but turnover from merchanting has increased. At the moment the volume of trade is being maintained in the face of severe competition, but the results of certain subsidiary and associate companies are being affected by "difficult trading conditions." Another warning is that no appreciable increase in royalties (that is those arising from "Terylene" production) can be expected this year.

★

QUALCAST. Two months ago Mr J. E. V. Jobson stole the thunder of his own preliminary profits report for the year to June 30th. He then announced that the Qualcast group, better known for its lawn mowers than for its special castings, had established new records all along the line, including sales and profits. Investors did not fail to read into the statement bigger ordinary dividend payments. They anticipated the effective increase of 5 per cent with precision; on its announcement the 5s. ordinary shares remained virtually unchanged at 20s. 6d., to offer a yield of just under 4.9 per cent. The payment of a final dividend of 15 per cent on top of the interim dividend of 7½ per cent paid prior to the recent 50 per cent free scrip issue makes the total year's payments equivalent to 20 per cent on the enlarged ordinary capital of £1,070,488. In 1952-53, the full year's payment on the original capital of £713,659 was 22½ per cent, which is equivalent to 15 per cent on the present capital.

The stepping stone for this increase is the advance in profits. The group's trading profits have risen from £769,258 to £870,651. Taxation has also increased, from £352,160 to £419,249, but the latest year's provision includes £36,000 for six months' EPL, compared with a full year's charge of £45,000. Even so, net profits have advanced from £228,510 to £268,936 and this increase of over £40,000 more than covers the rise in equity dividend payments, after tax, of just under £29,500.



LONDON STOCK EXCHANGE

Next Account begins: October 6th
Next Contango Day: October 6th
Next Settlement Day: September 28th

AFTER the shake-out in equity prices, particularly in store shares, at the end of the old account, a selective rally, largely concentrated on oil shares, Kaffirs and copper shares, took place when dealings began in the new account. During this period gilt-edged prices remained firm and there was a fairly long list of rises in the prices of insurance shares. In the foreign market the two principal features were the continued buying, often on Swiss account, of the German government and municipal issues and the sudden collapse in the price of Greek bonds on the report that the debt negotiations in Paris had broken down.

Weak selling of store shares accounted for much of the decline in equity share prices at the end of the old account. Most of the leading shares in this group were marked down, with the newly quoted Canadian and English Stores stocks particularly badly hit. On the first day of the new account, though prices were moving erratically, a slightly better tone developed in this sector of the market. At the end of the old account, losses were common in other sectors of the market, notably in the radio, motor and aircraft groups. When the new account opened, however, the tone in the market improved. Radio shares staged a good rally and tobacco shares, especially "BAT's," were prominent. Rubber and tea shares were generally dull. Oil shares, having been firm at the beginning of the week, advanced briskly on the signing of the Persian oil agreement and the half-yearly results from the Royal Dutch-Shell groups; Anglo-Iranian advanced to 16½ and Shell to 101s. 3d.

Kaffir shares, which had been dull at the end of the old account, staged a very strong advance when dealings began in the new account. Much of the demand was concentrated upon the OFS developers and uranium producers. The further rise in the price of Copper led to an advance in the share prices of the Rhodesian copper producers.

FINANCIAL TIMES INDICES

1954	Security Indices Ord.*	Security Indices Fixed Int.†	Yields 2½% Cons.	Yields Ord.
			%	%
Sept. 15	171·8	116·72	3·67	4·64
,, 16	171·4	116·76	3·67	4·65
,, 17	170·9	116·79	3·67	4·66
,, 20	170·4	116·81	3·67	4·68
,, 21	169·9	116·82	3·67	4·69
,, 22	169·8	116·84	3·67	4·69
1954, High	171·9 (Aug. 30)	116·81 (Sept. 22)	Total bargains 1954 Sept. 15	12,686
,, Low	131·1 (Jan. 1)	111·78 (Jan. 5)	,, 16	12,520
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	,, 17	12,217
,, Low	113·9 (May 20)	105·63 (Jan. 5)	,, 20	14,013
			,, 21	12,438
			,, 22	12,211

* July 1, 1935 = 100. † 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Sept. 22 High	Prices, 1954 Jan. 1 to Sept. 22 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Sept. 15, 1954	Price, Sept. 22, 1954	Net Yield, Sept. 22, 1954 £ s. d.	Gross Yield, Sept. 22, 1954 £ s. d.
100⅛	99⅛	Exchequer 2½% 1955	100⅛	100⅜	0 7 9	1 13 3
105⅛	101⅛	Exchequer 3% 1960	104⅛	104⅛	0 15 1	2 1 8
104⅛	99⅛	Exchequer 3% '62-63	104⅛	104⅛	1 3 5	2 10 9½
100⅜	99⅛	Serial Funding 1½% 1954	100·0·3½	100·0/3	...	1 12 0
100⅛	99⅛	S. Tdg. 1½% 1954 Ass. Exc.	100⅛	100⅛	1 7 0	2 10 1½
101⅛	99⅛	Serial Funding 2½% 1957	101⅛	101⅛	0 12 6	1 14 10
101⅛	100⅛	Serial Funding 3% 1955	101⅛	101⅛	...	1 14 2
101⅜	100	War Bonds 2½% '54-56	100⅝	100⅝	0 16 6	2 0 11
101⅛	100⅛	Funding 2½% '52-57	100⅝	100⅝	1 3 8	2 10 11½
102	101	War Loan 3½% '55-59	101⅛	101⅛	1 7 6	2 14 0½
100⅛	95⅞	Savings Bonds 3% '55-65	99⅛	99⅛	1 13 6	3 0 10½
101⅛	97⅛	Funding 2½% '56-61	100⅛	100⅛	1 6 8	2 8 11½
98⅛	92⅞	Funding 3% '59-69	96⅛	96⅛	1 17 8	3 5 0½
98⅜	93⅛	Funding 3% '66-68	98⅛	98⅛	1 15 10	3 3 6½
97⅛	97⅛	Funding 3½% 1999-2004	97⅛	97⅛	2 0 2	3 12 6½
105⅜	100⅛	Funding 4% '60-90	104⅛	105⅛	1 7 11	3 5 10¢
96⅜	90⅛	Savings Bonds 3% '60-70	96⅛	96	1 19 0	3 6 10½
95⅜	90⅛	Savings Bonds 2½% '64 67	95⅛	95⅛	1 16 9	3 0 9½
105⅛	101⅜	Victory 4% '20-76	104⅛	104⅛	1 16 0	3 11 2½
95⅛	87⅛	Savings Bonds 3% '65-75	94⅛	95	1 19 1	3 7 1½
99⅛	93⅛	Consols 4% aft. Feb. '57	98⅛	99⅛	2 4 6	4 1 1½
93⅛	84⅛	Conv. 3½% aft. April '61	90⅜	90⅜	2 \ 2 5	3 17 1½
102⅜	99⅛	Conv. 3½% 1969	101⅛	101⅛	1 16 3	3 7 8½
100⅛	99⅛	Conv. 2½% 1958-59	100⅜	100⅛	0 19 11	1 18 9½
69⅛	63⅛	Treas. 2½% aft. April '75	68⅜	68⅜	2 0 5	3 13 6½
82⅛	74⅛	Treas. 3% aft. April '66	80⅛	80⅛	2 0 9	3 14 1½
101⅛	92⅛	Treas. 3½% '77-80	100⅛	100⅛	1 18 4	3 10 2½
100⅛	92⅞	Treas. 3½% '79-81	100⅛	100⅛	1 18 6	3 10 2½
91⅛	83⅛	Redemption 3% '86-96	90⅛	90⅛	1 19 7	3 8 5½
92	84⅜	War Ln 3½% aft. Dec. '52	90⅛	90⅛	2 2 10	3 18 3½
69⅛	63⅛	Consols 2½%	68⅛	68⅛	2 0 5	3 13 5½
96⅛	88⅛	Br. Elec. 3% '68-73	95⅜	95⅜	1 19 1	3 6 10½
95⅛	87⅛	Br. Elec. 3½% '74-77	94⅛	94⅛	1 18 10	3 6 10½
111⅛	103⅜	Br. Elec. 4½% '74-79	109⅛	109⅛	1 15 10	3 12 1¢
101⅛	93⅛	Br. Elec. 4½% '76-79	101⅛	101⅛	1 17 9	3 9 9½
100⅛	100⅛	Br. Elec. 3½% '76-79 'A'	100⅛	100⅛	1 17 11	3 9 3½
101⅛	83⅛	Br. Trans. 3% '78 85	90⅛	90⅛	2 0 10	3 9 11½
96⅛	88⅛	Br. Trans. 3% '68-73	95⅜	95⅜	1 19 2	3 6 11½
107⅛	100⅛	Br. Trans. 4% '72-77	106⅛	106⅛	1 16 0	3 11 5¢
92⅛	84⅛	Br. Gas 3% '90-95	91⅛	92	1 19 3	3 8 5½
102⅛	96⅛	Br. Gas 3½% '69-71	101⅛	101⅛	1 16 10	3 8 2½
106⅛	99⅛	Br. Gas 4% '69-72	106⅛	106⅛	1 14 4	3 9 5¢

(a) To earliest date. (f) Flat yield. (l) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953 High	Prices, 1953 Low	Prices, 1954 Jan. 1-Sept. 22 High	Prices, 1954 Jan. 1-Sept. 22 Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, Sept. 15, 1954	Price, Sept. 22, 1954	Yield, Sept. 22, 1954 £ s. d.
92	84⅛	97⅛	90⅛	Aust. 3½% '65-69	96⅛	96⅛	3 11 0§
...	...	100	97	Ceylon 4% '73-75	99⅛	100	4 0 0§
98⅛	98⅛	106⅛	98	N. Zealand 4% '76-78	106	106	3 12 3§
73⅛	66⅛	79⅛	71⅛	B.C.C. 3% aft. 1920	79⅛	79	3 15 11
96⅛	90⅛	99⅛	95	Liverpool 3% '54-64	99	99	3 2 4§
81⅛	73⅛	87⅛	80⅛	M.Wtr. 3½% '34-2003	85⅛	85⅛	3 12 8§
104⅛	101⅛	104⅛	101⅛	Agric. Mort. 5% '59-89	103⅛	103⅛	4 0 6¢
...	...	95⅛	71⅛	German 7%	83⅛	83⅛	...
...	...	142	102	German 5½	124⅛	129⅛	...
139½	119	159⅛	132⅛	Japan 5% 1907	143⅛	150	...
176	136	186	167	Japan 5½% Conv. 1930	170	173	...

Prices, 1954 Jan. 1 to Sept. 22 High	Prices, 1954 Jan. 1 to Sept. 22 Low	Last Two Dividends (a)	(b)	(c)	ORDINARY STOCKS	Price, Sept. 15, 1954	Price, Sept. 22, 1954	Yield, Sept. 22, 1954 £ s. d.
					BANKS & DISCOUNT			
60/3	42/3	16	c		5 a Barclays £1	47/-	48/-	4 3 4§§
65/6	58/9	14	c		7 a Lloyds 'A' £5, £1 pd.	63 6	64/-	4 7 6
84/6	74/9	8	b		8 a Midland £1, fully pd.	83/-	83/-	3 17 1
83/9	72·7½	8½	b		8½ a N. Prov. 'B' £5, £1 pd.	79/-	79/-	4 6 1
92/6	79/6	18	c		10 a Westminster £4, £1 pd.	92/-	92/-	3 18 3
128/1½	92/-	17½	b		7½ a Alexanders £2, £1 pd.	115/-	115/-	4 7 0
50/3	40/10½	5	b		5 a Nat. Disc. 'B' £1	49/-	49/-	3 1 3§
56/9	44/6	5	b		5 a Union Disc. £1	55/-	55/-	3 12 9
46/-	37/6	4	b		4 a Barc. (D.C. & O.) 'A' £1	44/6	44/6	3 11 11
45/7½	40/3	7	b		7½† Chart. Bk. of India £1	44/-	43/-*	6 14 11
					INSURANCE			
16½	9½	50	a		85 b Lge. & Gen. £1, 5/- pd.	15	14½	2 4 7
24⅛	20	40†	b		20 a Pearl £1, fully pd.	22½*	22	4 19 2
45½	35½	105†	c		112½† c Prudential 'A' £1	44½	43½	4 14 0
					BREWERIES, ETC.			
132/-	125/-	33	b		10 a Bass £1	130/7½	130/7½	6 11 8
23/3	17/4½	7½	a		17½ b Distillers 4/-	22/3	22/6	4 8 11
38/-	31/-	11	b		8 a Guinness 10/-	37/6	37/-	5 2 9
84/3	60/-	8	a		15½ b Whitbread 'A' Ord. £1	78/9	78·9	5 6 8§

Prices, 1954 High	Prices, 1954 Low	ORDINARY STOCKS	Price, Sept. 15, 1954	Price, Sept. 22, 1954	Yield, Sept. 22, 1954 £ s. d.
		STEEL & ENGINEERING			
18	12½	c 15 c B.S.A. £1	67/6	65/3	4 12 0
A15	3½	a Cammell Laird 5/-	10/9	10/-*	7 8 0
10	5	a 10 b Guest Keen N'fold £1	63/-	63/-	4 15 3
...	...	Stewarts & Lloyds £1	38/-	38/1½	...
4	2	a 4 a United Steel £1	25/3	25/3	7 2 7§
15	2½	c 2½ a Vickers £1	40/6	39/6*	3 15 11§
		TEXTILES			
15	4	c 4 a Bradford Dyers £1	26/-	26/3	7 12 5§
6	2	a 12 b Brit. Celanese 10/-	27/-	27/-	6 13 4
10	5	a 10 b Coats (J. & P.) £1	27/3	27/-	5 11 1§
6½	4	a 4½ b Courtaulds £1	31/9	31/6	5 1 7§
20	10	c 10 a Lancs. Cotton £1	27/3	27/3	5 10 1§
5	2	a 15 b Patons & Baldwins £1	32/6	34/6	5 15 11§
		ELECTRICAL			
7½	4	a 4 a Assoc. Elect. £1	58/9	57·6*	4 0 0
2¼	1	(f) 7½ b B.I.C.C. £1	47/6	46·9	4 5 7
6½	4	a 4 a English Elect. £1	58/9	58/9	3 12 4
3¾	2	8½ b General Elect. £1	51/3	50/-	5 0 0
		MOTOR & AIRCRAFT			
6½	3	a 6½ b Bristol Aeroplane 10/-	24/10½	23/6	4 5 1
6½	4	a 4 a British Motor 5/-	11·10½	11·10½	4 8 10
7½	2	c 7½ c De Havilland £1	27/3	26/-	5 15 5
12	7	c 12 c Ford Motor £1	70/3	70/-	3 8 7
9	6	a 9 b Hawker Siddeley £1	47/3	45/-	3 6 8§
25	25	c 25 c Leyland Motors £1	97/6	97/6	5 2 7
12½	5	a 12½ b Rolls Royce £1	78/9	75/10½	3 1 6§
12	12	c 12 c Standard Motor 5/-	8/6	8/3	7 5 5
		SHOPS & STORES			
22½	5	a 5 a Boots Pure Drug 5/-	26/3*	25·9	4 7 5
7½	7½	a 7½ a Debenhams 10/-	46/3*	45/-	4 8 11§§
15	15	a 45 b Gt. Universal 5/-	114/6	108/-*	2 15 7
5	5	a 17½ b Lyons (J.) 'A' £1	107/6	107/6	4 3 9
20	20	a 45 b Marks & Spen. 'A' 5/-	61/-	60/-	2 14 2§
40	20	a 20 a Woolworth 5/-	82/6	88/9	3 7 8
		OIL			
5	5	a 37½ b Anglo-Iranian £1	15½	16	2 13 2
5	5	a 15 b Burmah £1	92/6	98/9	3 10 11
4	4	a 12 b Royal Dutch 100 fl.	£41	£41½	3 0 1§
4	4	a 15½ b Shell Reg. £1	98/4½	100·7½	4 10 3§
10	5	a 5 a Trinidad L'holds 5/-	26/-	25·6	3 11 4§
		SHIPPING			
50/-	36/7½	16	c	2½ a Cunard £1	48/6	48 6	6 12 0
38/7½	30/3	12	c	12 c Furness Withy £1	35/6	37/-	6 9 9
52/3	31/3	6	a	16 b P. & O. Def. £1	52/-	51/-	4 6 3§
35/3	24/10½	(p)	10c	10 c Royal Mail £1	30/6	30/-	6 13 4
		MISCELLANEOUS					
94/3	67/9	5	a	12½ b Assoc. Port. Cem. £1	91/3	88·9	3 18 11
65/6	33/-	15	c	16 c Bowater Paper £1	58/9	58/1½	4 2 7§
40/-	33/6	4	a	6 b Brit. Aluminium £1	38/9	37.6	5 6 8§
46/6	36/3	12½	†c	8½† a Brit. Amer. Tob. 10/-	44/6	46/-	4 18 9
$49½	$38½	3	b	3 a Canadian Pacific $25	$47½	$48½	5 14 1
47/3	32/6	35	c	14 a Decca Record 4/-	43/6	46/-	3 16 1§
27/4½	18/5	11½	c	14 c Dunlop Rubber 10/-	27/-	27/-	5 3 8
40/-	26/6	6	a	9 b Imp. Chemical £1	39/-	39/-	3 16 11§
60/3	49/3	11½	b	8½ a Imp. Tobacco £1	57/6	57/6	6 19 2
$87½	$63½	$2·60	c	$2·35 d Inter. Nickel n.p.v.	$86½	$87½	4 15 11
63/3	51/6	7½	a	9 b London Brick £1	62/6	61·10½	4 10 6§§
28/7½	21/6	13½	b	6½ a Monsanto Chemical 5/-	28/3	28/3*	3 10 10
83/-	63/6	12½	b	3½ a Tate & Lyle £1	80/-	77.6	4 2 7
75/6	60/6	17½	c	7½ a Tube Investments £1	75/-	73·9	4 1 4
89/3	69/-	17½	c	5 a Turner & Newall £1	86/6	85 6	4 1 10
87/7½	57/6	6	a	9½ b Unilever £1	83/6	83.6	3 15 5
38/3	30/3	†4	‡a	7½†‡ b United Molasses 10/-	33/6	35/-	6 5 9§
50/-	28/-	Nil	c	10† c Cons. Tea & Lands £1	48/-	46/-	7 18 0
2/4½	1/9½	10	c	10 c London Asiatic Rbr. 2/-	2/-	2/-	10 0 0
38.6	25/2	5	a	15 b United Sua Betong £1	37/-	36.6	7 6 1§
		MINES					
8½	5½	20	a	40 c Anglo-Amer. 10/-	8½	8½	3 11 1
126/3	68/3	120	b	80 a De Beers 5/- Bearer	125/-	121/3*	8 4 11
127.6	56/6	...		... Free State Geduld 5/-	123/9	123/9	Nil
76/3	54/9	8½	c	10 c Randfontein £1	69.4½	67/3	2 19 6
6/9	4/10½	22	c	24 c London Tin 4/-	6/2½	6/3½	15 4 8
28½	16½	175	b	50 a Rhokana £1	28½	28½	7 19 8

New York Closing Prices

	Sept. 15 $	Sept. 22 $		Sept. 15 $	Sept. 22 $		Sept. 15 $	Sept. 22 $
Balt. & Ohio	26⅛	26⅛	Am. Smelting	39	40	Inter. Paper	78⅛	79⅛
Can. Pac.	27⅛	26⅛	Am. Viscose	36⅛	35⅛	Mat. Distill.	20⅛	21⅛
N.Y. Cent.	20⅛	20⅛	Cel. of Amer.	20⅛	20⅛	Sears Roebuck	70⅛	71⅛
Pennsyl.	17⅛	17⅛	Chrysler	64	64	Shell	51⅛	53⅛
Amer. Tel.	169	171⅛	Gen. Elec.	43⅛	44⅛	Std. Oil of N.J.	96⅛	100
Stand. Gas	14⅛	14⅛	Gen. Motor	83⅛	85⅛	U.S. Steel	55⅛	55⅛
United Corp.	5⅛	5⅛	Goodyear	78⅛	82⅛	Westinghouse	69⅛	72⅛
W. Union Tel.	55⅛	55⅛	Inter. Nickel	48⅛	48⅛	Woolworth	44	44⅛

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield basis 21%. (e) To earliest date. (f) Flat yield. (g) Yield basis 43½%. (h) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 14·8%. (i) Yield basis 13½% after capital bonus. (j) Yield basis 11½%. (k) Yield basis 8%. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 14%. (o) Yield basis 9%. (p) Also 5% net capital distribution. (q) Yield basis 22% gross. (r) Yield basis 32½%. (s) Yield basis 22·7% gross. (t) Also 2½%, not subject to tax, from capital profits. (u) Yield basis 12%. (v) Yield basis 7½%. (w) Yield basis 20%. (x) Yield basis 18·18% gross. (y) Yield basis 11%, after capital bonus. * Ex dividend.

Statistics

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

British		Overseas	
Prices and Wages	Sept. 4th	Western Europe:	
Production and Consumption	Sept. 11th	Production and Trade	Sept. 4th
Manpower	Sept. 18th	British Commonwealth	Sept. 11th
External Trade	This week	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Sept. 18th
Industrial Profits	July 17th	United States	This week
		World Trade ..... July 17th	

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages			1953			1954			
		1951	1952	1953	June	July	Aug.	May	June	July	Aug.
VALUE											
Imports:											
Total	£ million	325·2	289·8	278·7	291·6	293·0	249·3	280·4	291·0	289·7	266·8
Food, drink and tobacco	"	107·6	100 5	109·7	123·0	117·8	93·4	107·7	102·2	107·5	96·2
Basic materials	"	126·8	95·4	87·9	91·8	94 0	78 4	86·4	97·8	91·6	87·7
Mineral fuels and lubricants	"	26·3	28 2	26·2	23·3	25·7	25·7	28·4	26·2	29·6	29·6
Manufactures	"	63·1	64·0	53·5	50 3	52·3	48·4	56·8	63·3	56·9	52·2
Exports of UK produce:											
Total	"	215·2	215·3	215·2	203·9	234·4	198·2	228·9	217·7	246·9	205·6
Manufactures	"	183·0	178·5	174·9	167·7	191·4	161·0	187·0	177·1	203·8	167·9
Re-exports	"	10·6	12·0	8·8	7·8	8·6	8·8	9·0	8·7	9·1	8·4
Balance of trade (exports *less* imports)	"	− 99·4	− 62·5	− 54·8	− 79·9	− 50·0	− 42·2	− 42·6	− 64·5	− 33·7	− 52·8
VOLUME											
Imports	1950 = 100	112·5	102·8	112·1	113	116	99	114	113	115	...
Exports	"	101·2	95·0	93·1	94	108	91	106	101	115	...
BY AREA											
Imports:											
Dollar area—total	£ million	64·5	60·1	52·9	59·6	60·1	48·1	48·1	55·3	53·4	50·3
" USA	"	31·7	26·2	21·1	19·2	16·2	16·0	19·6	19·3	21·5	23·4
" Canada	"	21·7	26·7	25·3	34·0	34·6	24·6	23·1	29·4	24·7	22·0
Non-sterling OEEC countries	"	83·9	71·3	64·1	68·0	67·1	58·7	69·3	69·0	75·3	64·4
Sterling area	"	116·5	119·7	125·3	121·9	125·3	107·4	126·7	127·4	118·3	111·9
Exports:											
Dollar area—total	"	28·8	31·4	33·7	37·8	36·8	33·8	32·9	30·7	31·9	25·3
" USA	"	12·8	15·1	14·3	15·4	16·3	13·9	14·0	13·8	14·0	10 6
" Canada	"	11·7	11·0	13·4	16·4	15 1	12·1	13·3	11·0	11·6	10·0
Non-sterling OEEC countries	"	56·2	58·4	62·5	59·1	65·2	55·6	64·1	63·4	69·8	60·3
Sterling area	"	110·8	107·0	105·8	95·4	116·1	96·5	117·3	110·4	130·3	103·8
Balance of trade (exports *less* imports):											
Dollar area	"	− 35·7	− 28·6	− 19·2	− 21·8	− 23·4	− 14·3	− 15·2	− 24·5	− 21·5	− 25·0
Non-sterling OEEC countries	"	− 27·7	− 12·9	− 1·7	− 9·0	− 1·9	− 3·1	− 5·2	− 5·5	− 5·5	− 4·1
Sterling area	"	− 5·7	− 12·7	− 19·5	− 26·5	− 9·2	− 10·8	− 9·4	− 17·1	− 12·0	− 3·1
***TRADE IN* SELECTED COMMODITIES**											
Imports:											
Wheat	'000 tons	337·7	325·3	335·2	499·7	467·4	334·2	155·8	203·5	291·6	366·8
Meat	"	39·9	45·5	63·1	61·7	72·2	52·4	57·4	48·2	73·2	40·8
Sugar, unrefined	"	186·8	164·6	248·6	259·0	335·2	185·9	254·7	225·8	150·7	125·5
Raw cotton (†)	"	37·5	21·8	27·5	33·3	27·5	21·5	34·9	35·0	34·5	33·4
Raw wool, sheep's and lambs' (†)	mn. lb.	36·0	51·9	63·3	68·2	50·4	35·2	66·8	69·5	55·4	34·9
Rubber, natural and synthetic (†)	'000 tons	25·1	16·7	18·4	18·7	24·2	15·9	17·9	18·1	17·9	16·2
Softwood	'000 stds.	135·6	85·2	119·1	180·7	187·5	143·6	113·5	171·4	194·9	162·0
Woodpulp	'000 tons	139·3	119 8	133·8	127·5	143·6	143·1	177·8	182·4	171·2	171·8
Crude petroleum	mn. galls.	359	494	556	528	600	544	612	563	622	616
Exports of UK produce:											
Coal, including bunkers	'000 tons	961	1,254	1,400	1,244	1,405	1,100	1,417	1,331	1,391	1,242
Woven piece-goods—cotton	mn. sq. yds.	72	59	59	52	67	56	58	49	57	47
" " wool	'000 sq. yds.	9,817	8,143	8,706	7,855	9,576	9,316	7,630	7,310	8,540	8,767
Passenger cars and chassis	number	30,717	25,824	25,186	30,079	32,301	21,239	36,459	33,253	38,999	25,474
Commercial vehicles and chassis	"	11,382	10,636	9,199	8,525	11,320	7,679	11,926	10,015	12,110	9,098
Agricultural tractors	"	9,388	8,746	7,807	8,202	6,995	6,877	9,228	9,233	10,113	7,507
Machinery—electrical	£'000	4,022	4,805	5,015	4,659	5,386	4,597	5,501	4,595	5,547	4,390
" other	"	26,245	30,346	28,762	29,013	32,420	25,536	32,498	29,645	33,687	26,623
Chemicals, elements and compounds	"	n.a.	3,085	4,180	4,022	4,583	3,794	5,452	5,141	5,212	4,792

(†) Retained imports.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1953 prices
	1947-49 = 100						1948 = 100			1939 = 100	$	
1939	50·1	36·5	59·4	47·1	52·5	...	42	48	88	100·0	23·86	45·97
1952	111·6	107·0	113·5	114·6	105·8	114·6	123	102	121	195·0	67·97	68·52
1953	110·1	97·0	114·4	112·8	104·8	117·7	117	102	115	193·3	71·69	71·69
1954, April	111·0	99·4	114·6	112·4	104·1	118·5	121	102	119	215·8	70·20	70·06
" May	110·9	97·9	115·0	113·3	104·2	118·9	122	102	120	223·2	71·13	70·78
" June	110·0	94·8	115·1	113·8	104·2	118·9	...	...	...	223·9	71·68	71·25
" July	110·4	96·2	115·2	114·6	104·0	119·0	...	...	...	233·0	70·92	70·43
" August	110·5	95·7	...	...	...	...	...	...	...	237·1	71·06	...

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, clothing	Chemicals				
	$ billion	Index 1947-49 = 100; seasonally adjusted							$ million	thousands		% rate
1939	91·1	58	49	53	48	66	80	45	683	55,230	45,750	17·2
1952	346·1	124	136	116	154	124	105	137	2,751	62,966	61,293	2·7
1953	364·9	134	153	132	189	118	107	147	2,938	63,453	61,929	2·4
1954, April	356·0	123	134	103	174	116	101	146	3,025	64,063[p]	60,598[p]	5·4[p]
" May		124	135	106	173	117	102	148	3,066	64,425[p]	61,119[p]	5·1[p]
" June		124	134	108	166	115	97	148	3,070	65,445[p]	62,098[p]	5·1[p]
" July	...	124	134	104	169	115	99	149	3,084	65,494[p]	62,148[p]	5·1[p]
" August	...	124	135	106	166	116	100	150	3,112	65,522[p]	62,276[p]	5·0[p]

TRADE

	Personal consumption Annual rates	All business[a]		Total retail[a]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1936-38 = 100	
1939	67·6	10·80	20·05	3·50	5·53	190	62	41	260	139	94	113
1952	218·4	46·08	77·11	13·67	21·59	896	245	214	1,253	778	151	251
1953	230·1	48·82	81·07	14·23	22·66	898	217	224	1,304	910	158	262
1954, February	230·5	46·71	80·39	13·97	22·42	816	196	167	1,170	776	144	238
" March		47·09	80·09	13·90	22·56	874	209	183	1,116	723	153	225
" April		47·64	79·52	14·24	22·69	944	198	183[r]	1,413	957	161	284
" May	233·1	46·91	79·37	14·04	22·80	830	203	175	1,389	952	141	281
" June		47·77	78·99	14·44	22·60	972	...	...	1,462	...	...	...
" July	...	47·60	78·36	14·27	22·41	...	...	...	$ ...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics[d]		Budget expenditure[e]		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	72·9	66·6	4·3	7·22	4·50	23·4	17·2	9·0	− 3·9	0·023	...	3·01
1952	271·2	190·6	14·2	25·83	18·68	77·5	64·2	65·4	− 4·0	1·766	2·68	2·96
1953	286·1	204·4	12·2	28·90	21·81	78·1	68·3	74·3	− 9·4	1·931	2·93	3·20
1954, March	285·0	201·1	12·5	27·15	20·90	75·7	67·0	5·6	+ 5·9	1·053	2·51	2·86
" April	284·4	200·9	11·5	27·33	20·91	77·4	66·8	5·3	− 2·5	1·011	2·47	2·85
" May	286·2	201·6	12·6	27·52	20·93	78·6	67·1	5·2	− 1·6	0·782	2·52	2·88
" June	286·5	202·1	12·2	27·79	21·12	79·1	67·2	7·1	+ 3·4	0·650	2·54	2·90
" July	286·5	202·3	11·9	27·84	21·25	80·0	67·2	4·8	− 2·0	0·710	2·47	2·89
" August	...	...	...	...	...	...	...	...	...	0·892	2·48	2·87

(†) First quarter. (‡) Figures calculated on the basis of a new and larger sample. (§) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (a) *All commercial banks.* (b) Annual figures are totals for the fiscal year ended *June 30th.*

Financial Statistics

EXCHEQUER RETURNS

For the week ended September 18th there was an "above-line" deficit (after allowing for Sinking Funds) of £23,036,000 compared with a deficit of £23,555,000 in the previous week and a deficit of £43,297,000 in the corresponding period of last year. This raised the cumulative deficit to £176,269,000 (£271,065,000 in 1953-54). Net expenditure "below-line" absorbed £6,069,000, bringing the total cumulative deficit to £353,583,000 (£490,348,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to Sept. 19, 1953	April 1, 1954 to Sept. 18, 1954	Week ended Sept. 19, 1953	Week ended Sept. 18, 1954
Ord. Revenue					
Income Tax	1800,000	435,562	438,570	7,770	8,108
Sur tax	132,000	31,600	30,300	900	900
Death Duties	164,375	77,100	86,300	2,500	3,100
Stamps	55,000	24,900	32,000	1,000	1,100
Profits Tax & EPT	172,000	96,700	76,900	3,200	3,900
Excess Profits Levy	60,000	31,150	42,400	1,600	1,600
Special Contribution and other Inland Revenue	1,000	430	630	...	...
Total Inland Rev.	2384,375	697,442	707,100	16,970	18,708
Customs	1062,500	497,904	518,598	21,277	22,946
Excise	719,000	331,713	344,455	4,140	3,950
Total Customs and Excise	1781,500	829,617	863,053	25,417	26,896
Motor Duties	77,000	13,345	14,761	...	...
PO (Net Receipts)	...	...	9,350	*Dr. 2,500*	650
Broadcast Licences	21,000	4,750	5,750	...	...
Sundry Loans	24,000	19,284	19,652	...	...
Miscellaneous	245,000	51,823	61,841	65	122
Total	4532,875	1616,260	1881,807	39,952	46,376
Ord. Expenditure					
Debt Interest	570,009	272,710	267,673	6,009	6,449
Payments to N. Ireland Exchequer	51,000	20,848	20,525	...	...
Other Cons. Fund	10,000	4,814	4,369	1	174
Supply Services	3855,399	1572,420	1547,623	76,929	63,300
Total	4486,399	1860,792	1840,291	82,939	69,973
Sinking Funds	36,000	16,533	17,445	319	434
"Above-line" Surplus or Deficit		271,065	176,269	43,297	23,036
"Below-line" Net Expenditure		219,283	177,314	8,001	6,069
Total Surplus or Deficit		490,348	353,583	51,298	29,105
Net Receipts from:					
Tax Reserve Certificates		112,976	182,185	3,259	2,380
Savings Certificates		10,530	5,700	−100	−200
Defence Bonds		−29,366	−6,872	−859	880

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953 Sept. 19	3,430·0	1,382·1	280·0	...	5,092·2
1954 June 19	3,330·0	1,372·1	296·1	...	4,968·2
" 30	4,700·0		268·6	3·3	4,971·8
July 10	3,280·0	1,432·5	260·2		4,972·7
" 17	3,260·0	1,411·6	267·2	...	5,038·8
" 24	3,270·0	1,492·2	281·6	...	5,043·9
" 31	3,270·0	1,485·5	263·1	...	5,018·7
Aug. 7	3,280·0	1,447·7	295·3	...	5,013·0
" 14	3,280·0	1,451·3	272·3	...	5,003·6
" 21	3,270·0	1,495·5	279·0	...	5,044·5
" 28	3,260·0	1,547·0	267·3	...	5,074·3
Sept. 4	3,250·0	1,595·8	280·4	...	5,126·2
" 11	3,270·0	1,611·2	270·5	...	5,151·7
" 18	3,290·0	1,608·6	277·6	...	5,176·2

THE MONEY MARKET

CREDIT has continued to be generally short in Lombard Street in the week covered by the Bank return. Before the week-end there was indeed little marked stringency; on Friday there was even a small surplus of funds, and November and December maturities were again sold to the banks at 1⅛ per cent (as against 1½ per cent earlier in the week). But on Monday credit became very tight, and aid from the authorities the form of very large special purchases of bills from the banks was passed on to the market in the form of purchases at 1¾ per cent. On the following days credit continued short, though on Tuesday the market was just able to manage without special purchases, while on Wednesday these reached only small proportions.

The market maintained its bid at £99 11s. 9d. for the 91-day maturities offered at last Friday's Treasury bill tender, and bid at £99 11s. 11d. for the 90-day maturities offered on account of the incidence of Christmas Day. The market's average allotment on all maturities rose from 55 to 64 per cent.

On Friday before the weekend the price of gold fell in consequence of sterling's slight recovery, but this week the price has again been carried to 250s. 8d. under the influence of strong demands and a further weakening in sterling to around parity.

The Bank return shows a further reflux of notes of £4.6 million. Discounts and advances are down sharply from £14.7 million to £5.7 million.

LONDON MONEY RATES

	%		%
Bank rate (from 3½%, 13/5/54)	3	**Discount rates**	
Deposit rates (max)		Bank bills: 60 days	1⅛
Banks	1½	3 months	1⅛
Discount houses	1½	4 months	1⅛–1½
Money—Day-to-day	1½–1¾	6 months	1⅛–1½
Short periods	1½–1¾	Fine trade bills:	
Treas. bills 2 months	1⅛	3 months	2½–3
3 months	1⅛	4 months	2½–3½
		6 months	3 –4

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	Sept. 23	Sept. 15	Sept. 22
*Issue Department**:			
Notes in circulation	1,531·6	1,642·6	1,636 0
Notes in banking dept.	43·7	32·7	37·3
Govt. debt and securities*	1,571·8	1,671·2	1,671·2
Other securities	0·7	0·8	0·8
Gold coin and bullion	2·9	3·4	3·4
Banking Department:			
Deposits:			
Public accounts	10·8	17·6	13·4
Treasury special account	19·9	3·6	3·6
Bankers	298·7	283·4	280·5
Others	68·1	66·0	67·1
Total	397·2	367·6	363·4
Securities:			
Government	351·6	321·6	321·8
Discounts and advances	4·3	14·7	5·7
Other	13·6	14·8	14·8
Total	369·5	351·1	342·3
Banking department reserve	46·2	35·0	39·6
"Proportion"	11·6	9·6	10·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,700 million to £1,675 million on September 1, 1954.

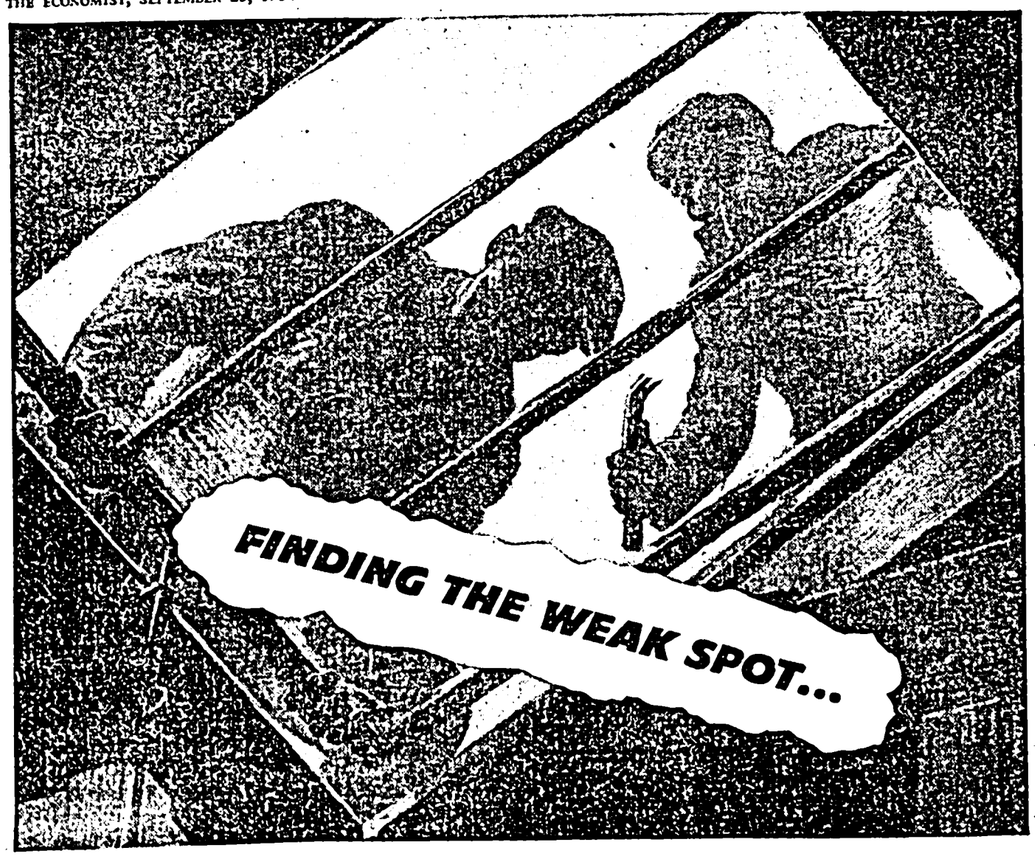
TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Average Rate of Allotment s.	d.	Allotted at Max. Rate* £	s.	d.
1953 Sept. 18	280·0	340·6	280·0	43	0·06	99		
1954 June 18	260·0	400·4	250·0	31	7·87	98		
" 25	260·0	426·0	260·0	32	1·48	98		
July 2	270·0	384·0	270·0	32	3·41	98		
" 9	270·0	396·2	250·0	31	3·90	98		
" 16	240·0	433·1	240·0	31	2·27	98		
" 23	230·0	423·1	230·0	31	2·52	98		
" 30	240·0	414·2	240·0	31	2·83	98		
Aug. 6	240·0	397·8	240·0	31	3·09	98		
" 13	250·0	387·5	250·0	31	10·56	98		
" 20	260·0	398·2	250·0	32	2·66	98		
" 27	260·0	422·7	260·0	32	3·19	98		
Sept. 3	270·0	398·6	270·0	32	4·02	98		
" 10	270·0	397·8	270·0	32	10·75	98		
" 17	280·0	402·5	280·0	32	11·74	98		

* On Sept. 17th tenders for 91 day bills at £99 11s. 9d. secured about 63 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £280 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: Sept. 22	Market Rates: Spot: Sept. 16	Sept. 17	Sept. 18	Sept. 20	Sept. 21	Sept. 22
United States $	2·78-2·82	2·80½-2·80⅝	2·80½-2·80⅝	2·80 2·80⅛	2·79⅞-2·80⅛	2·79⅞-2·80	2·79⅞-2·80⅛
Canadian $	...	2·71⅛-2·71⅜	2·71⅛-2·71⅜	2·71⅛-2·71⅜	2·71⅛-2·71⅜	2·71⅛-2·71⅜	2·71⅛-2·71⅜
French Fr.	972·65-987·35	978⅛-979	97⅜-978⅛	978⅛-978⅜	978⅛-978⅜	978⅛-978⅜	978⅛-978⅜
Swiss Fr.	12·15½-12·33½	12·20⅛-12·20⅜	12·20⅛-12·20⅜	12·20⅛-12·20⅜	12·20⅛-12·20⅜	12·20⅛-12·20⅜	12·20⅛-12·20⅜
Belgian Fr.	138·95–141·05	139·97½–140·02½	139·97½–140·02½	139·97½–140·02½	139·97½–140·02½	139·95–140·00	139·92½–139·97½
Dutch Gld.	10·56-10·72	10·61½-10·62	10·61½-10·62	10·61½-10·62	10·61½-10·62	10·61½-10·62	10·61½-10·62
W. Ger. D Mk.	11·67½-11·84½	11·74-11·74½	11·74-11·74½	11·73½-11·74	11·73½-11·74	11·73½-11·74½	11·74-11·74½
Portuguese Esc.	79·90-81·10	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05
Swedish Kr.	14·37½-14·59½	14·47½-14·48½	14·48½-14·48½	14·48½-14·48½	14·49½-14·49½	14·50-14·50½	14·50½-14·50½
Danish Kr.	19·19½-19·48½	19·42½-19·42½	19·42½-19·42½	19·42½-19·42½	19·42½-19·42½	19·42-19·42½	19·41½-19·42½
Norwegian Kr.	19·85-20·15	20·01½-20·02½	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 $		½c. pm-¼c. dis	½c. pm-¼c. dis	½c. pm-¼c. dis	½c. pm-¼c. dis	½c. pm-¼c. dis	½c. pm-¼c. dis
Canadian $		Par-⅛c. dis	Par-⅛c. dis	Par-⅛c. dis	Par-⅛c. dis	Par-⅛c. dis	Par-⅛c. dis
French Fr.		5-6 dis	3-6 dis	3-6 dis	3-6 dis	3-6 dis	3-6 dis
Swiss Fr.		1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par
Belgian Fr.		Par-½ dis	Par-½ dis	Par-½ dis	½ pm-½ dis	½ pm-½ dis	½ pm-½ dis
Dutch Gld.		½c. pm-par	½c. pm-par	½c. pm-par	½c. pm-par	½c. pm-par	½c. pm-par
W. Ger. D Mk.		½pf. pm-½pf dis	½pf. pm-par	½pf. pm-par	½pf. pm-par	½pf. pm-par	½pf. pm-par
Swedish Kr.		Par-10 dis	Par-10 dis	Par-10 dis	1-10 dis	3-10 dis	5-8½ dis
Danish Kr.		Par-35 dis	Par-35 dis	Par-35 dis	Par-10 dis	Par-10 dis	Par-10 dis
Norwegian Kr.		10 pm-10 dis	Par-10 dis	Par-10 dis	Par-10 dis	Par-10 dis	Par-10 dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		250/8	250/5½	...	250/7	250/8	250/8

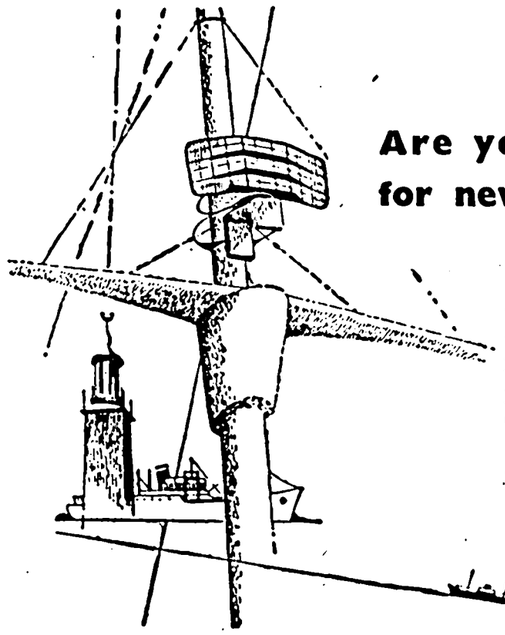


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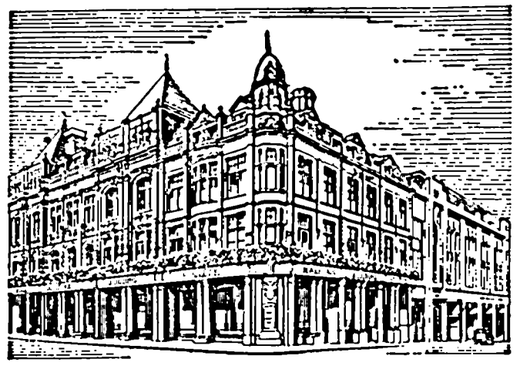
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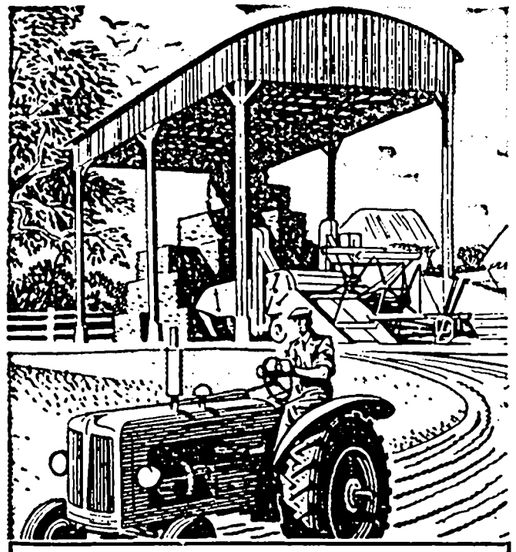
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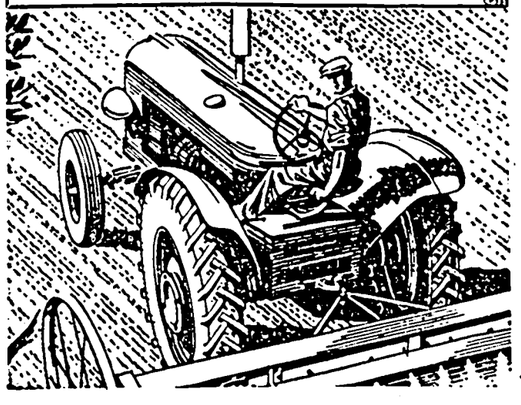
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COMPANY MEETINGS

UNITED DAIRIES, LIMITED

TOTAL RESERVES EXCEED £9 MILLION

CONTINUED INCREASE IN MILK PRODUCTION

GOVERNMENT DISCONTINUES MILK PURCHASES

THE FIXING OF PRICES

MR LEONARD MAGGS'S REVIEW

The thirty-ninth annual general meeting of the members of United Dairies, Limited, was held on September 17th at The Connaught Rooms, Great Queen Street, London, W.C., Mr Leonard Maggs (chairman and manager director) presiding.

The secretary (Mr Ernest Evanson, ASAA) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman to the members which had been circulated with the report and accounts for the year ended March 31, 1954, and was taken as read:

I am again circulating my remarks with the directors' report and accounts for the benefit of those members who are unable to be present at the annual general meeting on September 17th.

CONSOLIDATED ACCOUNTS

Although the consolidated statements published give a clear and concise picture of the financial position of the whole group I should like to draw your attention to the following:

During the year under review £1,478,400 was transferred from the general reserve of the parent company to capital account in respect to the bonus issue of £1 ordinary stock for every £3 ordinary stock held.

From October 1, 1953, the total shareholding of the Cheshire Sterilized Milk Company, Limited, with its subsidiary companies Newhall Dairies, Limited, Cheshire Transport Company, Limited, and Chester Castle Products, Limited, was acquired.

The Cheshire Sterilized Milk Company, Limited, has a modern and well-equipped processing depot at Stockport, Cheshire, and sells sterilised milk by wholesale in the district within a radius of approximately forty miles of Manchester.

Newhall Dairies, Limited, has a creamery at Aston, Cheshire, with up-to-date equipment for the manufacture of cheese and the drying of residual whey.

Cheshire Transport Company, Limited, operates all the transport incidental to these businesses.

Chester Castle Products, Limited, is at present non-trading, but is the proprietor of certain brand names.

I am happy to say that Mr A. F. S. Keeling and his sons have agreed to continue the direction of these businesses, thus preserving the family connection.

The increases in goodwill and pre-acquisition reserves shown in the group balance sheet are due primarily to this purchase. The other assets taken over appear under the appropriate headings.

The additional preference capital issued during the year, namely 300,000 shares, was part of the consideration.

The profits, less tax, during the period from October 1, 1953, to March 31, 1954, have been taken to pre-acquisition reserve.

CHANGES OF ARTICLES OF ASSOCIATION

You will have seen that there will be proposed changes in certain of the Articles of Association, the reasons for which are explained in the separate letter from the secretary.

PROVISIONS

£1,852,524 for taxation.

This amount is provided in conformity with the latest Finance Act.

Whilst the reintroduction of initial allowances (now termed investment allowances) was very welcome, the present penal rates of taxation hamper industry by taking too great a share of the profits, thus reducing what is left for such necessary purposes as replacement of assets and financing of stocks at present high prices, as well as for payment of dividends.

In accordance with our custom we are spreading the initial or investment allowances, thus increasing our provisions for taxation.

RESERVES

The following are the reserves of the group at March 31, 1954:

	£
The share premium account	41,706
Capital reserves:	
General reserve	154,543
Profits, less losses, on realisations of:	
Properties	200,128
Investments in subsidiary companies	99,582
Revenue reserves:	
General reserve	3,000,000
Insurance fund	100,000
Depreciation not required on properties sold, etc.	87,640
Future income tax	1,880,456
Profit and loss appropriation account	4,223,313
	£9,787,373

The total of the reserves at March 31, 1953, was £10,263,620, but this was before the transfer of £1,478,400 from the general reserve of the parent company to capital account, to which I have referred earlier.

COSTS AND PROFITS

Costs have continued to rise during the year under review. So long as fuel and transport costs continue to advance, both of which are important items in our industry, it is difficult to see how any halt to rising costs can be called.

During the year under review our industry continued under the control of the Ministry of Food, and margins for services in connection with liquid milk were controlled by that Ministry. In connection with milk products, with minor exceptions, the Ministry of Food continued during the year under review to buy all production.

There is no alteration in the position I reported to you last year, namely, that the latest date for which definite prices have been agreed with the Ministry of Food is September 30, 1951: for all manufacture after that date the prices paid by the Ministry of Food have been "on account" prices, which will be subject to adjustment when final prices are negotiated.

MILK SUPPLIES

During the year under review milk production continued to increase, and there being a reduction in liquid sales the quantity available for manufacture increased substantially.

It is on sales of liquid milk that the producer secures the highest return, and therefore it must be in the interests of the Government, from the point of view of subsidy, and of milk producers to keep the sales of liquid milk at the highest possible level. It is difficult to reconcile this with the Government's present policy of varying seasonally the retail prices of milk instead of keeping them uniform, as experience shows that decreases in retail prices have little, if any, effect on sales, whereas whenever there is an increase in price consumer resistance to it brings down the sales.

The cost of producing milk during the winter months is much greater than during the summer months, and the milk producer has to be recompensed accordingly. It seems, therefore, that in the interests of the national economy some steps should be taken to keep the production of milk in the winter down to a level more commensurate with liquid requirements, so as to avoid heavy winter manufacture into products which cannot return anything like the cost of the milk and which therefore involve considerable subsidisation. I was pleased to see that the chairman of the Milk Marketing Board had advocated that summer production of milk be increased and winter production decreased in order to reduce the prices of milk products.

Whilst, if this is accomplished, it will undoubtedly increase manufacturers' costs owing to greater fluctuation in the monthly quantities available for manufacture, this increase would be insignificant in the price of the products compared with the difference between the cost of winter and summer milk.

TRANSITION FROM CONTROL TO A MEASURE OF FREEDOM

The Government, which since 1942 had bought all milk from the Milk Marketing Board and resold it to the trade, discontinued this practice from April 1, 1954, and the Milk Marketing Board resumed sale to the trade without Government intervention.

The price of milk for liquid purposes at all stages, and margins, continues to be fixed by the Government, and this will presumably be the case so long as there is an element of subsidy, but the prices of milk for manufacture became a matter for negotiation between the Milk Marketing Board and the Industry.

From April 1st, the Government ceased to buy the production of milk products with the exception of National Dried Milk, which it will acquire for an indefinite period, and butter and cheese, which it is acquiring up to September 30, 1954.

As regards the remainder of the products, from April 1, 1954, manufacturers were left to carry and finance their own stocks, and to market the production without Government intervention, and they will be called upon to do the same in connection with butter and cheese from October 1, 1954.

With the exception of butter and cheese there is undoubtedly an economic world surplus of milk products, though possibly not a surplus over world needs if economic considerations could be overcome.

We are the largest manufacturers of butter in this country; indeed, I am given to understand that our Chard factory is the largest butter factory in the world. Since butter became derationed the demand for our English butter sold under "Superity" brand in our own London shops and under "Diploma" brand by the general grocery and provision trade has been very gratifying.

FOOD AND DRUGS: THE MILK (SPECIAL DESIGNATION) (PASTEURISED AND STERILISED MILK) REGULATIONS, 1949

Under this Act the Minister of Food has already specified certain areas of the country where no pasteurised milk may be sold unless it is pasteurised and bottled on the same premises. Being advocates and pioneers of pasteurisation we welcome this measure, and in order to help towards the specification of further areas of the country, and to assist milk retailers who are not in a position to pasteurise and bottle their requirements we have equipped the following of our urban and rural establishments to provide pasteurised bottled milk for retail dairymen:

Cambrian United Dairies, Limited, Marshfield, near Cardiff; Hafod Isha, Swansea.

South Eastern Farmers, Limited, Headcorn, Kent; Glynde, Sussex; Petersfield, Hants.

United Dairies (Wholesale), Limited, Calveley, Cheshire; Chippenham, Wiltshire; Corfe Castle, Dorset.

Primrose Dairy (Cornwall), Limited, St. Erth, near Penzance, Cornwall.

United Creameries, Limited, Campbeltown, Mull of Kintyre, Argyllshire.

We are also in process of equipping for this purpose two more depots of United Dairies (Wholesale), Limited—Attleborough in Norfolk and Banbury in Oxfordshire.

TRANSPORT AND ENGINEERING COMPANIES

You will be aware that earlier this year the UD Engineering Company, Limited, secured a very substantial contract for bottle washing and filling plant and crating and de-crating machinery from the USSR.

This large order is, of course, arranged for delivery over a period and we have set up a special team and additional factory space to deal with it. The first deliveries will shortly be effected.

The Engineering Company have also received a large order for a special type of refrigerating plant for HM Government, which is well on the way to completion.

I am glad to be able to say that apart from the order from the USSR, the order book is at a higher level than ever before in the history of our Engineering Company.

The Dairy Supply Company, Limited, has experienced another successful year's trading. In addition to increasing the output of cans, crates and utensils, it is now actively engaged in the manufacture and sale of specialised equipment for larger dairies and creameries both at home and abroad.

Mickleover Transport, Limited, in addition to work for other subsidiary companies, has during the year again received a number of large contracts for vehicle bodies of all kinds for commercial and Government undertakings.

The specialised knowledge enjoyed by this company has resulted in an increasing number of orders for insulated and refrigerated vehicles for the transport of dry and liquid commodities of all kinds.

The development of electric vehicles for the distribution of milk, other foods and commodities has continued.

This company is giving particular attention to research into new materials and methods which will, it is anticipated, have an important influence on the vehicle building and transport industry in the future.

OVERSEAS INTERESTS

Australia: Our new factory has operated during the year under review, but unfortunately, owing to the overdone position as regards milk products to which I have referred earlier, it looks as though it may be some time before we shall get a worthwhile return from our investment in Australia.

New Zealand: Again our subsidiary company has had a very good year's trading and earned a very satisfactory profit. Extensions to increase production are still proceeding, and it is hoped they will be completed in about a year's time.

CONCLUSION

It is impossible to predict what trading conditions will be when the transition from Government control is completed, and I will content myself with saying that your business is so organised and so equipped with modern plant, etc., as to be in a strong position for meeting whatever conditions may arise.

APPRECIATION OF THE STAFF

I should like to take this opportunity of expressing the thanks of the board, and I am sure I may include the members, to the officers and staff of the company for their devoted and efficient services during the past year.

The report and accounts were unanimously adopted and the final dividend on the ordinary stock at the rate of 10 per cent actual, less tax, making 15 per cent for the year, was approved.

The retiring directors, Mr William A. Blake, Mr Andre Bracher, Mr Leslie L. Ferris, Mr Douglas A. R. Knight, Mr Kenneth W. Pocock and Mr J. Gordon Stokes, were re-elected; and the remuneration of the auditors, Messrs Peat, Marwick, Mitchell and Company, was fixed.

At a subsequent extraordinary general meeting of the company, resolutions were passed approving certain alterations in the Articles of Association modifying the rights of the shareholders as between various classes of shares.

The proceedings terminated with a vote of thanks to the chairman.

PURNELL AND SONS

(Printers and Bookbinders)

BONUS ISSUE FORESHADOWED

The twentieth ordinary general meeting of Purnell and Sons, Limited, will be held on October 14th, in London.

The following is the statement by the chairman and managing director, Mr W. Harvey, which has been circulated with the report and accounts:

The profit of the group for the year, before providing for taxation, is £551,097 as compared with £358,861 in 1952, an increase of £192,236. From this profit has to be deducted taxation £255,675 and the interest of minority shareholders £1,868, leaving a balance of profit for the year of £293,554, as compared with £140,895 in the previous year. To this year's profit has to be added the balance brought forward from the previous year of £651,964, giving the amount available for allocation of £945,518. Your directors have transferred £50,000 to reserve for contingencies to meet any possible loss which may be incurred in a Canadian Investment, written off goodwill £150,000, and provided for dividends £97,807, leaving a balance to be carried forward of £647,711, which compares with £650,774 in the previous year.

The increase in the profit figure is partly due to the increased demand occasioned by Coronation publications and although all branches of the group have been working to capacity during the past nine months, considerable difficulty has been encountered in maintaining the supply of raw materials and adequate skilled labour, which may make it difficult to maintain during the current year the high rate of profits shown by the accounts under review, but I anticipate a satisfactory result.

The new packaging department has been handicapped by the delay in delivery of new machines and this department will not be in full production before 1955.

Your directors feel that the time has come when the share capital of the company should be brought somewhat nearer the figure of capital employed and with this object in view propose to capitalise sufficient of the profit and loss account balance to enable a bonus issue to be made of one ordinary share for every two shares already issued. The capital issues committee is being approached for permission to make this issue and it will then be necessary to call an extraordinary general meeting to give the members of the company an opportunity of confirming, or otherwise, the directors' recommendation.

I wish once again to pay tribute to my colleagues on the board, all of whom give their full time to the company and to express my thanks to the staff and workpeople for their services during the year under review.

AMALGAMATED ANTHRACITE COLLIERIES

A SUCCESSFUL YEAR

The thirtieth annual general meeting of this company was held on September 22nd in London, Mr John Waddell (the chairman) presiding.

The following is an extract from his circulated statement for 1953 :

Since nationalisation the company has not owned any collieries. The company has become a holding company, owning shares in The British Anthracite Company Limited. We therefore feel that the name Amalgamated Anthracite Holdings Limited would now be a more appropriate name.

The British Anthracite Company Limited has again had a successful year, the trading profit coming out at £578,496, compared with £563,463, the net profit, before taxation, comes out at £404,668, compared with £390,031 in 1952.

There is no doubt that the dividends anticipated in the circular letter to members dated April 15, 1954, are properly justified. A resolution will be moved to authorise the payment of an ordinary dividend of 3 per cent, less income tax. Although this is a very modest dividend, it is a step in the right direction, and I am happy, after all these years, to be in the Chair to propose this.

TRADING ACTIVITIES

Our activities fall into three major sections. Coal Distribution: The first deals with the distribution of coal both in this country and abroad. We are also interested in its importation and distribution in certain other countries and have subsidiary and associated companies in France, Holland, Belgium and the Channel Islands.

Investment and Finance.—I have previously referred to the Anglo-French Trust, Limited. The main aim of this concern was the reorganisation and development and regrouping of small industrial businesses.

Industrial and Manufacturing Interests.—Thirdly, we have an industrial group of companies. In this connection we have brickworks, wagon repairing works, and both electrical and mechanical engineering undertakings in South Wales.

Carbon Black has not been a project which has added to our profits. We have a half interest in United Carbon Black, Limited, and United Kingdom Chemicals, Limited, which two companies combined are one of the three manufacturers of carbon blacks in this country. Last year these companies made an agreement with United Carbon Company Inc., and this led them at the end of 1953 to a programme for completely reorganising the works to make Kosmos/Dixie blacks, which are those marketed all over the world by United Carbon Company Inc.

These companies have almost, if not fully, eliminated losses on operations in the beginning of 1954 and we anticipate that when the remodelled plant comes into action in the beginning of September they will be making useful profits, which should increase steadily.

It will be evident to members that both in the variety of interests and the geographical situation of our coal businesses in this country and abroad our structure is widely based and therefore less vulnerable to adversities in any particular industry. There seems no reason why under steady conditions we should not continue to make a satisfactory profit.

The report was adopted and the change of name approved.

NIGERIAN ELECTRICITY SUPPLY CORPORATION

GOOD RESULTS

The twenty-fifth annual general meeting of the Nigerian Electricity Supply Corporation, Limited, was held on September 21st in London, Mr George Hemmant, CMG, chairman, presiding.

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

You will have noted the small reduction of £3,696 in the revenue from power sales.

The number of units sold was 56,286,477, compared with 59,303,037 in the previous year, a reduction of 3,216,560 units. The relatively small reduction in the revenue from power sales was due to the fact that the present rather higher rates charged for power were introduced in April, 1952, and were thus in force for only eleven months of the previous year.

The reduction in the number of units sold was due largely to a prolonged 1952-53 dry season and its effect upon our reserves of water power in April and May of the year under review. The recent completion of the Jekko 2 Power Station will enable us to generate more power from the same water, or the same power from less water, and thus counteract the effects of a prolonged dry season.

The Jekko 2 Power Station, in addition to its value in enabling the Corporation to meet present demands in the dry season, will also be a most useful asset as a general reserve of power, permitting the necessary overhaul of machinery throughout the system.

Power sales to our smaller consumers showed a general increase, and bulk sales to the Electricity Corporation of Nigeria now represent 10 per cent of our total power sales.

Operational costs rose by £13,000, of which about £7,000 was due to heavier maintenance work and higher wages. The work of maintaining an extensive system of water conservation in a country subject to tropical storms of great violence must be expected to vary from year to year.

The report and accounts were adopted.

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

REORGANISATION OF CAPITAL

An extraordinary general meeting of Barclays Bank (Dominion, Colonial and Overseas) was held at 29, Gracechurch Street, London, EC3, on Wednesday, September 22, 1954, which was followed by separate meetings of the "A" and "B" stock and shareholders.

Mr J. S. Crossley, chairman of the bank, presided at each meeting.

The extraordinary general meeting passed special resolutions for effecting the reorganisation of the capital of the company and the shortening of the bank's name to Barclays Bank DCO.

The special resolution approving the reorganisation of the capital of the bank was subsequently approved at the meetings of the "A" stockholders and "B" shareholders.

The chairman announced at the commencement of each meeting that stockholders who had intimated that they were in favour of the resolutions represented an overwhelming majority in each case.

The proceedings terminated with a vote of thanks to the chairman for presiding.

THORN ELECTRICAL INDUSTRIES

A RECORD YEAR

The eighteenth annual ordinary general meeting of Thorn Electrical Industries Limited, was held on September 17th in London. Mr Jules Thorn (chairman and managing director) presided and in the course of his speech said : The results indicate satisfactory progress by the group. The trading profit, at £1,054,348, has increased by £283,000, and the net profit before taxation amounts to £778,306, exceeding the previous year's earnings by more than £230,000. Taxation, at £462,740, again absorbs more than 60 per cent of the net profit.

The reserves of the group now stand at £1,118,812 and exceed the total issued capital.

Progress during the year in the Atlas Lighting Division has been remarkable and apart from the increased popularity of all Atlas products we have been fortunate in securing very substantial contracts from the Government, public bodies, municipal authorities and large industrial users.

In the export field distribution of the company's products has continued to expand, particularly in Commonwealth and "Sterling" countries. Export sales have increased by approximately 40 per cent.

Ferguson radio and television division enjoyed another record year, the turnover reaching a new high level.

I have always resisted the temptation to make optimistic forecasts, but we are now beginning to reap the benefits of the large investments and the hard work which for some years have gone into our research, development and manufacturing resources.

The report was adopted.

APPLICATIONS are invited for a superannuable appointment in the Organisation and Methods Branch at the London Headquarters of a large industry. The work involves the conduct of O and M studies, at headquarters and in the provinces, concerned with the organisation of work and staffing and office methods.

Applicants should have a minimum of two years' specialised experience relating to the work of this post, and, preferably, a recognised professional qualification or University degree, and experience in a position of responsibility in a large organisation. Salary within the range £1,070-£1,470

Write, giving full particulars of age, education, qualifications and experience (with dates), quoting this paper, to Box 704. Original testimonials should *not* be forwarded. Closing date October 7, 1954.

ASSISTANT to Advertising Manager of prominent tyre manufacturers. Age under 30. Good knowledge of advertising and ability to see work through from start to finish. Knowledge of Market Research, Statistics and Degree in Economics desirable. Person in mind should have had some years in a first-class agency or advertising department of large firm. Experience of handling Public Relations and House Organs useful.—Box 706.

ACCOUNTANT AND ASSISTANT OFFICE MANAGER required for West African branch of British company. Preferably but not necessarily qualified, some experience, capable of staff management. Young, good health and preferably unmarried. Good terms of service, regular tours, full pay leave, free accommodation.—Apply, giving full particulars, references and salary required, to Box 703.

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Scholarships are offered for the following sessions:
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Intellectual and Social Backgrounds of American Politics, March 13 to April 7, 1955.
Lectures and Seminars at the post-graduate level. Admission is granted for evidence of ability and accomplishment. General age range 23-35. Special attention given to those engaged in public life, teaching, or creative work.—For further information and application forms, please write promptly to: Salzburg Seminar, 35 Portman Square, London, W.1.

THE UNIVERSITY COLLEGE OF THE GOLD COAST
Applications are invited for a Senior Lectureship in Agricultural Economy tenable for five years initially. Salary scale £1,500 x £75 to £1,800 p.a. Point of entry determined by qualifications and experience. Family allowance £100 p.a. per child (maximum £300 p.a.). Outfit allowance £60 on first appointment. F.S.S.U. Free passages for appointee, wife and maximum of three children. Part furnished accommodation at rent not exceeding 10 per cent of salary, unfurnished accommodation at rent not exceeding 19 per cent of salary.
Applications (six copies), naming three referees and stating full qualifications and experience, to be received by October 22, 1954, by the Secretary, Inter-University Council for Higher Education in the Colonies, 1 Gordon Square, London, W.C.1, from whom further information may be obtained.

THE BRITISH IRON AND STEEL RESEARCH ASSOCIATION
Applications are invited for an interesting post in the Operational Research Section of the above Association to form part of a small team dealing with a variety of operating and organisational problems in steelworks. Applicants should be about 26-30 years old and should have an honours degree and some industrial experience. Some mathematical ability is desirable but the most important requirements are an original and lively approach to, and a flair for, problems of an economic and technical nature. The work is based on London but involves frequent visits to works and contact with management.
Apply in writing, giving full curriculum vitae and staff and men. stating salary required, to The Personnel Officer, B.I.S.I.R.A., 11 Park Lane, London, W.1, quoting "Advisory Service."

APPLICATIONS are invited for research posts in Applied Economics. Applicants should have a good honours degree; some experience of work in accounting and statistics would be an advantage. Salaries within the range £450-£900 per annum. Appointments will be for one year in the first instance.
Applications, with the names of two referees, should reach the Registrar, The University, Edgbaston, Birmingham, 15, no later than October 1, 1954.
The University, Edgbaston.

YOUNG ASSISTANT required by industrial association providing Secretariat to important international organisation of manufacturers. Fluent German, good knowledge of French and aptitude for administration essential. Commencing salary from £700 according to experience.—Box 707.

ECONOMIST-ACCOUNTANT, qualified, seeks spare-time work writing single or series of articles or research economic/financial subjects. Industrial and writing experience.—Box 705.

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MARKETING MANAGER required by Sunvic Controls Ltd. to assist General Sales Manager to organise sales promotion effort of the Company for the sale of a wide variety of instruments covering different fields. It is essential that he should have had extensive marketing experience and possesses an excellent commercial training and the ability to organise and direct staff and be able to co-operate with other executives. Whilst the products are of a technical nature and an engineering background or experience in the engineering industry would be advantageous, this is not essential.—Write, giving full details of age, experience, qualifications, etc., to General Sales Manager, Sunvic Controls Ltd., 10 Essex Street, London, W.C.2
A GUARANTEED 3½ per cent tax-free interest on Bonus shares in Westminster Building Society. Investment limit £5,000.—Apply Secretary, Westminster House, Crawford Street, London, W.1.
ACCOUNTANT, preferably Chartered or Incorporated, but with some knowledge Shipping Company accounts, required by well-known Liner Company in Hong Kong. Good salary, provident fund, pension scheme. Age 28-35 preferred.—Write Box R. 410 c/o Streets, 110 Old Broad Street, E.C.2.
LONDON Office offered by one experienced in liaison with UK Government Departments and Overseas Government Representatives and in export insurance and market surveys.—Box 700.
CHARTERED ACCOUNTANT (age 41) invites inquiries from principals offering interesting employment in London area, at salary £2,500 p.a.—Box 695.
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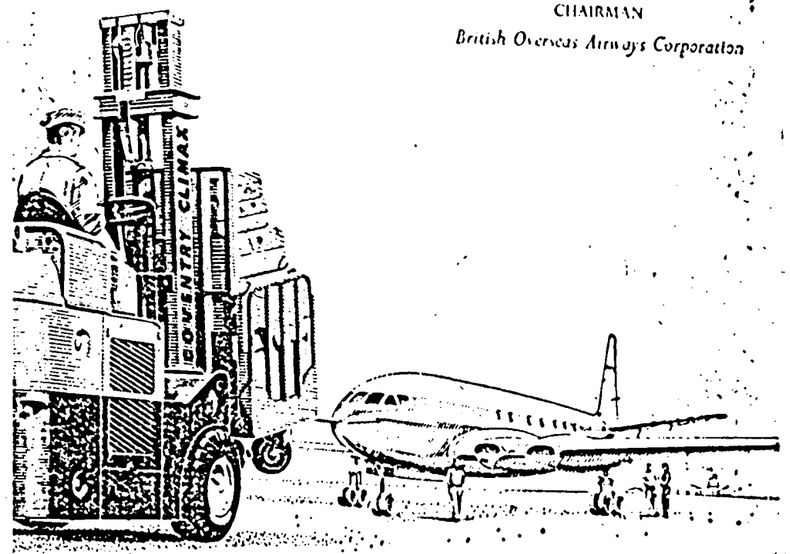
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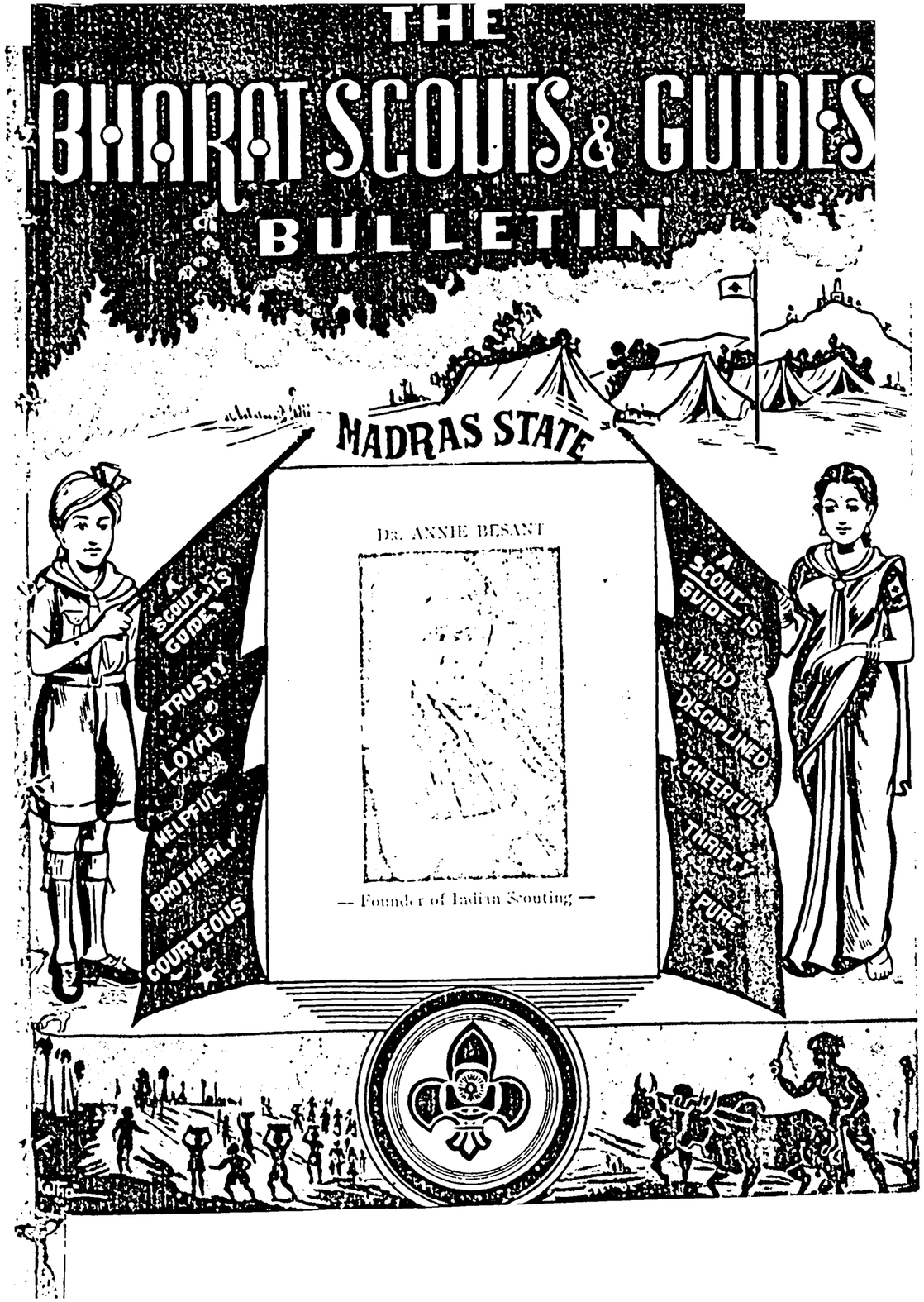


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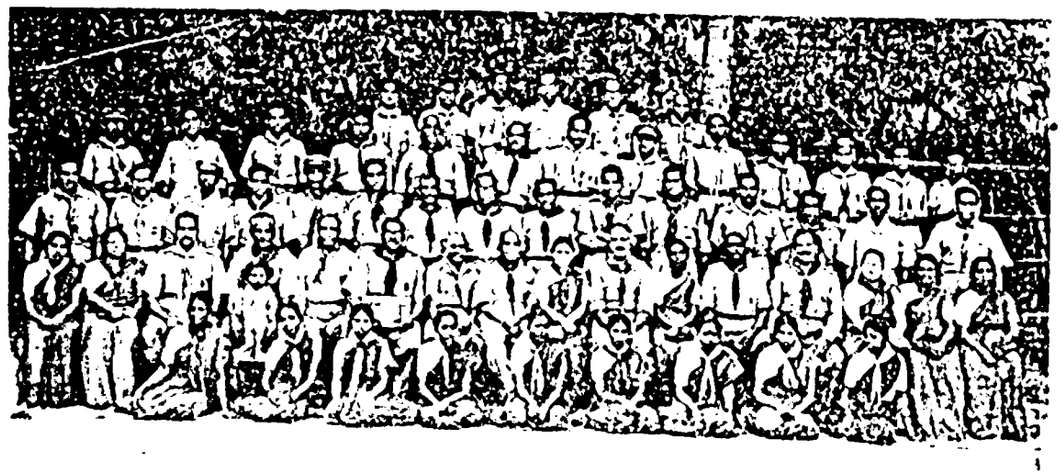
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The National Executive



Met at New Delhi on 19—9—1954

TO KEEP YOU THINKING

If we are to have a race of better citizens in this country we must do more than educate them in the principles and practice of good government; we must teach them high personal standards in work and leisure, sound principles of conduct abroad and by their fireside, and the charity which, starting at home, will sweeten and inspire their relations with all their fellow-men.

HUGH LYON (The Spectator, 23rd Sept. 1949)
("The Scouter")

THE BHARAT SCOUTS & GUIDES BULLETIN

MADRAS STATE

(Approved by the Director of Public Instruction, Madras)

VOL. 4 OCTOBER 1954 NO. 6

OURSELVES

The National Executive Committee

AT a meeting of the National Executive Committee held at New Delhi on 19th September 1954, several important matters connected with our Organisation were considered and decisions taken. Members representing the States were present and Madras was represented by Mrs. Clubwala Jadhav and Mr. V. S. Ratnasabhapathy. It was decided to levy quota money for the various States at 6 pies per Scout or Guide, majority of the States being agreeable to the levy of 6 pies instead of 3 pies as before. Mr. K. G. Vaidyanathan, the National Secretary presented a short account of the activities undertaken by the Association from 1st April to 1st September 1954. It was decided to celebrate the National Scout Week always every year from 1st to 7th of October, the week being the most important week from the Scout point of view. It is also a week that synchronises with the National week when we celebrate the Birth Day of Mahatma Gandhi. It was decided to send a contingent of Scouts to the 8th World Jamboree to be held at Canada from 18th to 28th Aug. 1955 with Pandit Shri Ram Bajpai, the National Organising Commissioner as the leader of the Indian Contingent.

An All India Training Centre

The National Commissioner, Pandit Hridaynath Kunzru informed the Committee that he was successful in getting the Madhya Pradesh Government to assign to our Association an extensive area in Pachmahri for the establishment of a Central All India Training Centre. The Chief Minister of Madhya Pradesh Government, Pandit Ravi Shanker Shukla had promised to put up a building at a cost of Rs. 25,000/- for the centre. The Central Government also has been approached for a grant of Rs. 60,000/- for equiping the centre.

Deputy Camp Chief's Conference

Mr. Vivian Bose, our Chief Commissioner, Scouts informed the Committee that a Deputy Camp Chiefs' Conference is planned to be held at Pachmahri during the Christmas week this year, when the present Training scheme will be revised and a scheme suitable to our country will be drawn up. This Conference as also suggested by Mrs. H. C. Captain will be for the Deputy Camp Chiefs of both the sections. It is hoped

that a comprehensive scheme will be drawn up for all forms of Training. The Pachmahri Training Centre will in future send out Deputy Camp Chiefs, Assistant Deputy Camp Chiefs and Himalaya Wood Badge holders into the country and see that Training is run on most up-to-date and efficient lines suited to our country and requirements.

With regard to badges the Madras representatives urged on the National Headquarters to make available immediately all types of badges both basic and Proficiency. This has been agreed to by the National Headquarters subject to the approval of the National Council. The Tenderfoot badge with the Trefoil superimposed is now made available. We are glad to note that the Central Headquarters at Delhi, is moving forward.

The National Scout and Guide Week

We are happy to record that the National Scout and Guide Week from 1st to 7th October 1954 was celebrated throughout the State with enthusiasm. Reports have been received from all centres as to the manner in which this celebration was conducted. We are sure that the week would have achieved the purpose of popularising the movement and serving as a reminder to us to do our best.

United Nations Day

24th October will be observed as the United Nations Day and this year's function at Madras will be held at our State Headquarters, Wenlock Park, Triplicane, Madras. It is fitting that we the Junior League of Nations should be closely associated with the United Nations in this way. A Note on the U.N. appears elsewhere.

Seminar on Camping and Community Recreation

Dr. H. D. Edgren, Fullbright Professor of the Y.M.C.A College of Physical Education will direct a Seminar on Community Recreation and Camping for the Bharat Scouts and Guides at Wenlock Park from 15th November to 19th November 1954. Every day the Seminar will begin at 5 P.M. and close at 8 P.M. and it is open to the Scouters and Guiders of Madras State. Those who are interested are required to apply to the State Headquarters with an application fee of Re. 1/- A certificate will be issued to those who attend the Seminar regularly and are likely to be useful. Dr. Edgren is a Professor of Education, George Williams College in Chicago. He has had considerable experience in this work and is a recipient of special honours and awards for this valuable work. He is an author of several publications and it is very kind of him to have offered to run a Seminar for our Officers. We hope many will take advantage of this Seminar.

Visit to Salem

Mrs. Clubwala Jadhav and Mr. V. S. Ratnasabhapathy visited Salem on 6-10-54 to help in the work of the District Association. Several of the Office-bearers and others interested in the movement were met and interviewed. A public meeting was addressed by the State Secretary and suggestions were made at a Conference of workers for making the movement more and more useful. It is encouraging to find that Mr. Sheriffuddin the District Judge, Mr. Sabhanayagam, the District Collector and the representatives of the public including Mr. S. V. Ramaswamy, Member of Parliament, the Municipal Commissioner Mr. Menon, Mrs. Menon, Mrs. Sitalakshmi Ramaswamy and Mr. Metha and others are keenly interested in our Organisation. Mrs. K. N. Vasant Chatterji, the District Commissioner Guides having resigned, her place will be taken up by Mrs. Sitalakshmi Ramaswamy. Our Association is thankful to Mrs. Chatterji for the valuable work she had done in the past. Salem has a good team of workers with Mr. S. V. Lakshmanan as District Commissioner Scouts and Mr. K. Varadarajan as District Secretary, and there is every hope of the District making headway in the coming year. The Tamil monthly Bulletin, they are issuing, we hope, will be continued, though they have to face financial difficulties.

Commissioner's Training Course

Being convinced that the work, the Scouts have done in the matter of making roads and rural service in co-operation with National Extension Service and the Community Project, the Government of Madras has asked us to train the Block Development Officers as Commissioners, and thus associate them with Scouting so that more effective work can be undertaken in the respective Blocks. Therefore a Training Course for the Block Development Officers will be run in the first week of next month. This camp is also open to others, both men and women. Details of the Camp, can be had from the State Headquarters.

We welcome the publication of 'Thaiyar' once again from this month by the South Madras Bharat Scouts and Guides. The October issue is full of interest. In a message, the enthusiastic President Mr. C. R. Pattabhiraman welcoming the publication hopes that the Scouts and Guides will rise to great heights and we are sure they will. Mr. V. G. Gokulapala Sarma the Editor and Secretary of the Association and the District Commissioners Miss. A. Sakuntala and Mr. H. Ramanathan are to be congratulated on their sustained work for the Association and the fine lead they are giving. We wish "Thaiyar" a very useful career.

— Editor

COMING EVENTS

16—10—54	—	Conference of Scouters and Guiders—City of Madras at "Wenlock Park" Triplicane addressed by Mr. HANS PETER MULLER, Secretary, Youth Section of UNESCO.
23—10—54	—	State Executive Committee meeting
24—10—54	—	UNITED NATIONS DAY—at Wenlock Park—Chief Minister is expected to take part.
30—10—54	—	Madras City Guide Rally at State Headquarters.
1—11—54 to 6—11—54	—	Scout Commissioners' Training Course for Block Development Officers at Besant Scout Camping Centre, Adyar.
15—11—54 to 19—11—54	—	SEMINAR on "COMMUNITY RECREATION AND CAMPING"— Director Dr. H. G. EDGREN, Fullbright Professor, CHICAGO
22—11—54 to 28—11—54	—	Cub Wood Badge Course—Tamil.

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A FINE RECORD

FROM October 1, the Madras Council of the Bharat Scouts and Guides is celebrating the Scout Week in this State. It is doing so with the knowledge that the Scout movement in India maintains the popularity though it is less patronised by Governments than the new military or quasi-military youth organisations like the National Cadet Corps. How the movement retains its strength was pointed out by Sri J. B. Mallaradhya, Director of Public Instruction in Mysore at the annual meeting of the Mysore State Council of the Bharat Scouts and Guides, "Bharat Scouts and Guides claim to be the biggest youth organisation in India," he declared. From the history of the movement in Mysore he gave an impressive example of the value of Scout training as a preparation for citizenship. He said that during 36 years, since the inception of the movement in the State, not a single Scout or Guide was reported to have joined any subversive movement." They have remained a strong brotherhood, promoting the welfare of those around them.

From other lands come similar testimonies of the good work of Scouts. We will mention one-the report on the Social Services in the Federation of Malaya, for 1953, prepared by the Reference Division of the Central Office of Information, London. Referring to the fact that in Malaya "there is unquestionably less juvenile delinquency than at any time in the past five years," the report points out that much of the credit for this improvement rests with voluntary organisations, including Boy Scouts and Girl Guides, who concentrated their efforts on the development of organisations and services to help and train homeless and other unfortunate children, and thus prevent them from drifting into crime.

Sri Mallaradhya said that the Scout and Guide movement should form an integral part of the system of education in Mysore. His words are equally applicable to education in other States. It is true that the Bharat Scouts and Guides organisation functions in all States. Scout and Guide troops exist in most if not all Schools. But as Sri Mallaradhya urged, it will be beneficial to enlarge such troops and increase their activities. Such expansion is possible only with the voluntary assistance of the people; it is mainly on such support that the movement now rests; if rightly conducted it will continue to receive support.

Most State Governments, as we have remarked above, are more interested in the National Cadet Corps, mainly a creation of the Union Defence Ministry. Junior Divisions of the National Cadet Corps are being formed in schools; they are given training in Squad Drill, Arms Drill, Field Craft, Weapon Training and similar military exercises. Such training is useful, provided there is no compulsion; in certain States, however, authority is inclined to introduce compulsory military training in Schools. What effect this will have on the Scout movement it is difficult to foresee, but one thing is certain; the Junior Cadet Corps not to be regarded as a substitute for the freer, larger brotherhood of the Scouts. This deserves to be emphasised at all forthcoming Scout Week meetings.

— MADRAS MAIL

The N. C. C. or its auxiliary cannot in any manner stand in the way of the Scout and Guide Movement in our country and therefore it is not a rival Organisation. Taking into consideration the youth population in this country and the youths that are brought under these youth Movements and Organisations we can only say we have touched a very small percentage. There is still a very large percentage of youth that need to be taken care of and trained. The destitute, orphan and unwanted children in our State alone number over hundred thousand and our movement can certainly help them from drifting into crime. There is therefore more work to do and immense scope and wide area to cover.

— *Editor.*

YOUTH SERVICE

UNTIL 1939 work among young people over school-leaving age was very largely left to the many voluntary movements. Shortly after the start of the Second World War, however, the then Board of Education decided to take direct responsibility for youth welfare as part of the national system of education and invited the voluntary organizations, the Churches, and other interested bodies to co-operate The Youth Service, which provides for the leisure time activities of boys and girls between 15 and 20, is therefore to-day a partnership between the State, the local education authorities and voluntary youth organizations The voluntary organizations now receive some State aid but retain their independence of action

The Education Act 1944 (*in England* Wales) finally recognised that provision for the leisure time activities of boys and girls and for their social and physical training was a State responsibility as much as was the provision of education in school, and compelled all local education authorities to *provide sufficient* out-of-school activities for young people, either directly or by aiding the work of voluntary youth organizations Local authorities usually appoint a youth organizer to develop the service and where necessary run their own Youth Centres to provide varied activities for large numbers of young people.

Although the programmes of youth organizations vary greatly, most of them attempt to provide educational as well as social and recreational pursuits and to give a training in self-government and citizenship

Some youth organizations, notably the older movements such as the *Young Men's Christian Association (YMCA)* are mainly religious in origin and purpose; and those which have no definite affillation with a religious body generally recognise the importance of spiritual values in the formation of character.

The major voluntary organizations (Boy Scouts, Girl Guides, Boys' Brigade and kindred bodies) have a total membership of well over two million young people under the age of 21 (including those of school age).

Over twenty large national voluntary youth organizations come together in the *Standing Conference of National Voluntary Youth Organizations* which is a consultative body that takes action only in the name of its member bodies and with their consent.

Some Organizations

The *Boy Scouts' Association* (1908) and the *Girl Guides' Association* (1910) were founded by Lord Baden-Powell. The movements are based on the principle of the development of character and good citizenship in boys and girls by training them in habits of observation, self-reliance, loyalty and thoughtfulness for others, and by promoting physical fitness and a knowledge of useful crafts. They have world-wide affiliations and are undenominational and non-political in character

The *Boys' Brigade* (1883) is a Protestant religious organization. Every company must be attached to a church and a regular church attendance is a vital principle. Companies have regular drill parades, there are club rooms for games and other pastimes, and organized camping is a feature of the movement. The *Church Lads' Brigade* is a similar movement connected with the Anglican Church.

The *National Association of Boys' Clubs* and the *National Association of Girls' Clubs and Mixed Clubs* are non-sectarian bodies and the member clubs provide educative recreational facilities for young people designed to develop their mental, physical and spiritual well-being. Discussion groups, handicrafts, music and many other activities are encouraged.

The *Pre Service Organizations* for boys comprise the *Sea Cadet Corps*, the *Army Cadet Force Association* and the *Air Training Corps*. These bodies have special connections with the Service Departments and receive financial grants from them. The training of boys for entry into the armed forces which these organizations

provide is linked with training to promote their social, educational and physical development. Many police forces organize *Police Cadets*. The *Girls' Training Corps*, the *Girls Nautical Training Corps* and the *Women's Junior Air Corps* similarly prepare girls for entry into the Women's Services.

The National Federation of Young Farmers' Clubs instructs its members in agricultural subjects and rural crafts and each club has the support of an advisory committee on which local farmers are represented.

Each of the leading political parties maintains a junior branch. Members are encouraged to form debating societies and to engage in other social activities and they are trained to take an active part in party politics. Other adult organizations which have youth sections are the *British Red Cross Society* and the *St. John Ambulance Brigade*, which train their young members in first aid and home nursing.

The *Youth Hostels Association* has a network of hostels for walkers and cyclists and is closely linked with similar organizations in other countries.

The *Outward Bound Trust* maintains sea and mountain schools which offer 4-week character-building courses for boys, mostly young industrial workers whose expenses are paid by their employers. Modified courses are held for girls.

The *Central Council of Physical Recreation* gives youth organizations practical and advisory services in all branches of physical recreation. It runs several National Recreation Centres which provide training holidays for those who wish to learn new forms of physical recreation or to improve their standards under expert tuition.

The *National Playing Fields Association* is another central organization which provides amenities for the Youth Service. Its object is to secure adequate playing fields and playgrounds for young people.

Building for Peace

THE United Nations, in structure, is an international organization of independent and sovereign states. It provides machinery through which the world's people may work together and co-operate with each other to find ways and means to solve the mutual problems and to foster international understanding. The United Nations should be looked upon not as an organizational strait-jacket to the world or on the independent states which are its Members, but as an organ for free co-operation of the nations, inside the framework of agreed procedures and supported by a permanent civil service.

Every one has been yearning for peace. It is only fitting that the peoples of the world should devote themselves to the gigantic task of building a universal and lasting peace both for themselves and for future generations

Outside of the official channels for the dissemination of information about the United Nations, interested and competent people have shown their desire to participate by volunteering in 86 different countries to tell others the story of how the United Nations is BUILDING FOR PEACE During the past year, these volunteer workers have reached four and a half million people. In addition, they have spent one and a quarter million student-teaching hours in imparting their knowledge through schools and institutes of higher learning.

October 24 of this year marks the ninth anniversary of the United Nations. All those who are eager to have peace and are ready to join their efforts in BUILDING FOR PEACE, will be interested to read this brief but significant story of the United Nations:

Aims and principles: Working towards the aims of collective security, peaceful settlement of international disputes, effective control of armaments and international co-operation to advance economic and social well-being, the United Nations has provided machinery through which peoples of the world may co-operate and work together. As the bitter classes of power and ideology become more apparent in the world, the United Nations survives as the best hope of mankind.

Political achievements: Through mediation and conciliation, the United Nations helped to end bloodshed in Indonesia, Greece, Palestine and Kashmir, and the Republic of Indonesia and Israel were brought into the family of nations In Korea armed aggression was successfully repelled

Collective Security: Soon after the outbreak of the Korean hostilities, the United Nations resolved to strengthen collective security. This was done by equipping the General Assembly, representing all 60 Member Nations, with emergency procedures for recommending necessary collective action for maintaining peace in case the Security Council fails to act because of the negative vote of any of its five permanent members

Sharing Skills: From a long-range point of view, the technical operations of the United Nations and the Specialized Agencies are intended to help provide the underdeveloped areas with more of the skills they need in their effort to alleviate the miseries of hunger, disease, illiteracy and poverty. Eventually, however, the technical assistance programmes will help other countries, too, for they realize more and more that their own economic progress in their inter dependent world depends considerably on the economic health of underdeveloped countries.

The United Nations and the Specialized Agencies began their technical assistance work in a small way, with money from their regular budgets. In 1950, the United Nations and five agencies began an additional and bigger programme—the expanded technical assistance programme, financed from voluntary contributions by Governments. Since it started in July 1950, scientific knowledge and technical skills have been shared in a variety of ways and extended to nearly 120 countries and territories. For instance, long-range programmes have been undertaken to assist in the construction of irrigation schemes, increase food product, advise on the building of a harbour, or to train technicians for air fields and medical laboratories. Shorter-range projects that have already shown results include the campaigns against malaria and the work to improve cottage industries. Many of the underdeveloped countries have also contributed to the expanded programme by supplying it with professional personnel and research facilities. All of them have pledged funds for the operation.

Regional Co-ordination: Through the facilities provided by the United Nations' regional commissions, countries in Europe, Asia and the Far East and Latin America have been able to co-operate on working out solutions for many of their common problems and subsequently to lay some of the essential foundations for economic progress.

Social Improvement: As an effort to improve social well-being, the United Nations, working with its specialized agencies, is helping to provide studies and services which will improve sanitary, health and labour conditions Programmes include improvement and expansion of educational facilities and teacher training

Human Rights: The basic rights of man and fundamental freedoms for all without discrimination as to race, sex, language or religion are clearly defined in the Universal Declaration of Human Rights. The completion of two draft covenants on Human Rights by the Human Rights Commission this summer marks a milestone in United Nations efforts to clarify and define these rights

For non-self governing peoples: In accordance with the spirit and provisions of the Charter, the United Nations, through its Trusteeship Council, has been following the welfare and progress of the millions of people of dependent territories With self-government or independence the ultimate goal, recommendations are based upon annual reports submitted by the Administering Authorities of the territories under United Nations Trusteeship, information gathered by existing United Nations missions and petitions from the indigenous people. In the case of non-self

governing territories not under trusteeship, annual progress reports are submitted to the Council. Through the efforts of the United Nations, Libya became an independent state, Eritrea was federated with Ethiopia as an autonomous unit, and the former Italian colony of Somaliland was placed under Italian trusteeship to be prepared for independence in 1960. Through the United Nations, the world is kept alive to the aspirations and advancement of all peoples.

The All India Scout and Guide Week

THE All India Scout and Guide Week was inaugurated at the State Headquarters, Wenlock Park, Madras on 1-10-54 by Sri N. D. Sundaravadivelu, Deputy Director of Public Instruction and State Commissioner (Scouts) and in doing so he said that the Bharat Scouts and Guides, Madras State has increased its strength, eventhough the separation of Andhra State resulted in reducing the original strength. The popularity therefore is maintained, and the wish expressed by Pandit Nehru the Prime Minister that the movement should increase from 5 lakhs to 50 lakhs in the country is being followed with success.

The Rajah Saheb of Kollengode who presided asked the Scouts and Guides to do a good turn to some one every day and that the movement rendered service to all without distinction. He paid a tribute to Lord Baden Powell, Dr. Besant and Pandit Madan Mohan Malaviya for founding this very useful organisation and that their life is worthy of emulation by Scouts and Guides

Sri V. S. Ratnasabhapathy, State Secretary the Bharat Scouts and Guides, Madras State explained the significance of Scout and Guide week and the need for making the parents and public realise the value of the training imparted by the movement to the children. He said that the N. C. C. and its Auxiliary covered only a very small percentage of the youth population of the country and that there was perhaps more than 80% of the youth population that can still be served by the Scout and Guide movement. Referring to the Community service rendered by the movement he said that during this month 300 Scouts are rendering service for making a road at Chitlanchery near Palghat, another 100 Rovers doing similar work in Ramnad district near Karaikudy and the third batch near Tiruneermalai in Chingleput District.

Being convinced of the valuable work that the Scouts and Guides have done under the Community Project, in the 5 year plan, the Government of Madras has asked for the Block Development Officers in the State to be trained as Scout Commissioners. For this purpose the Association will run a Training Course at the Stanley Park Training Centre at Coonoor in the last week of October '54 and thus establish closer relationship with the Project service.

Mr. C. V. Naidu, District Commissioner (Scouts), Trivellore related the work done at Senchi by the Scouts of Madras in renovating an irrigation tank recently.

Miss S. P. Durairaj, Jt. State Organising Commissioner (Guides) proposed a vote of thanks to the President, State Commissioner and others. With the singing of Janaganamana, the meeting terminated. A representative gathering of Scouts, Guides, Officers and the public was present.

OUR A.S.C. WEST COAST

Sri C. V. Ramani Karikar, M.A. B L., Assistant State Commissioner; Bharat Scouts & Guides, West Coast is appointed by Government to be a member of the Project and Block Advisory Committees for Community Projects Area (Palghat).

DISTRICT REPORTS

SOUTH MADRAS

Service: Rover Scouts drawn from Prathaps and Arundales did service on Sunday the 26th September 1954 at Santhome Beach in connection with the Mahalaya Amavasya Sri K. Rajagopalan District Rover Scout Leader was the contingent leader.

Over sixty Scouts drawn from the Scout Groups—Shivajis', Subramanias', 'Prathaps' 'Siddhartas' and Ramakrishnas' and Rovers from 'Gandhiji', Mylapore' and Arundale' did service in connection with the 'mass poor feeding ceremony' and The Immersion Ceremony of Durga Devi organised by Sri Ramakrishna Mission Authorities on the 6th and 7th October. Guides drawn from Saradamani Guide Group and Rangers from Kamala Nehru Ranger Team did service during the Durga Puja celebrations from 3-10-54 to 7-10-54 at Sri Ramakrishna Mutt, Mylapore.

Posse of welcome: About two hundred Scouts and Guides of the South Madras Bharat Scouts and Guides presented a Posse of Welcome to His Excellency the Governor of Madras on 5-10-54 at 6-30 P.M. at P.S. High School, Mylapore when he presided over the Mylapore Academy Anniversary celebrations

The National Scout Week: The Scout and Guide Week was celebrated with great enthusiasm in the Scout Groups of the Mylapore area. Sri Parthasarathy Iyengar, Commissioner of Police, Sri Rajam Ramaswamy, Sri Kothamangalam Subbu and other notable figures took part in the functions conducted in a successful manner by the Prathaps, Shivajis' and Siddhartas' Scout Groups and Kamala Nehru Ranger Team A District Scout Rally was held on 5-10-54 at 4 P.M. at the P.S High School, Mylapore with Hon'ble Sri M. A. Manickavelu Naicker, Minister for Revenue in the chair There was a distinguished gathering including Sri V. S Ratnasabhapathy, State Secretary, Sri V. G. G. Rao, Ex-State Chief Commissioner, Bombay, Sri M D. Janardhan, District Commissioner, East Madras and others. The District Commissioner (Scouts) was the Officer-in-charge of the Rally. Sri C R. Pattahbiraman, President, South Madras welcomed the Minister and recounted the activities of the Groups and their services in connection with the festivals and Community Projects. The Hon'ble Minister and others went round and reviewed the Pioneering and Camp Craft demonstrations put up by the various Groups The Signalling Tower of Siddhartas', the self-propelling aerial runaway of the Subramanias', the Camp Craft of Shivajis' and the Swinging Derrick of the Prathaps' deserve a special mention. The Minister said that disciplined training, orderliness and the spirit of co-operation were essential if they were to survive as a nation. He said that the Scout Movement developed character and taught good manners to the youngsters. In his opinion the promoters of the Scout Movement were doing a National service, moulding the character of their future citizens. He wished that the disciplined training and the spirit of Scouting imbibed by Scouts should be carried into their future life and allowed to permeate into the people to enable the morale of the country to be raised Sri V. G. G Sharma, District Secretary proposed a vote of thanks.

Sea-Bathing Service in connection with Mahalaya Amavasaya

The South Madras Bharat Scouts and Guides undertook the Service on Sunday the 26th September 1954, in connection with the Mahalaya Amavasya at San Thome Beach, Mylapore Rover Scouts drawn from Mylapore, Prathaps and Arundale Rover Crews rendered service on that day from 6 to 10 A.M. Sri K. Rajagopalan, District Rover Scout Leader, was in charge of the service. Sri H. Ramanathan, District Commissioner (Scouts) was present throughout the service.

The day passed off without any untoward incident except for two cases. One lost child was restored to its parent. Another woman was rescued by one of the Rovers from being carried away by the Sea waves.

Proceedings of the Conference of Commissioners, Presidents and Secretaries of the Districts comprised in the Western Division held at Kollengode

On the 18th & 19th September 1954

Proceedings: 1st Day: 18-9-'54

Venue: Rajah's High School, Kollengode

On the invitation of Sri V. Madhava Raja, Raja of Kollengode, President District Association, South Malabar, this Conference was convened and held in the Rajah's High School, Kollengode. At the outset we have to express our gratitude to the Rajah Sahib for the extraordinary enthusiasm and the spirit of hospitality evinced by him.

Representatives of the various Districts began to arrive even from the evening of the 17th instant. There was a strong contingent from the Salem and Coimbatore Districts both by train and by car From about 8 A. M. on the 18th instant, the Rajah's High School began to hum with activity and it was really a delightful sight to see the District Commissioners, Scouts and Guides, Scouters and Flock Leaders moving about in their respective uniforms wearing scarfs of various colours. The Scout groups of the Rajah's High School was very busy in doing service to the guests. Nothing was left wanting in regard to the splendid arrangements made.

By about 10-15 A M. a group photo was taken by M/s. Razack Studio, Palghat.

Precisely at 10-30 A M. the Raja Sahib unfurled the Scout Flag, all standing alert and saluting. Mrs. C Mohini, Joint National Organising Commissioner, Guides, sung in Hindi in a melodious tone the Scout Flag Song.

The Assembly then moved to the spacious hall where the Conference was to be held. After prayer by the High School Girls, Sri. C. S. V. Ramani Kariakkar, Assistant State Commissioner, and President of the morning session, requested the Raja Sahib to declare the Conference open.

Those present included the Joint National Organising Commissioner (Guides) from National Headquarters, the Joint State Organising Commissioner (Guides) from State Headquarters, the State Organising Commissioner, Western Division, the two State Assistant Commissioners, Four District Commissioners (Scouts), One District Commissioner (Guides), Nine A. D. Cs. (Scouts), Two A. D. Cs (Guides), Twenty three Scouters, Nine Guilders, Two Presidents Five Secretaries and One Treasurer. Among the A. D. Cs. there were some who were also Secretaries of Dt. Associations.

In his very instructive speech the Raja Sahib expressed his great pleasure in that the Conference is to be held in his High School and extended a hearty welcome to those who have gathered there. He claimed the privilege of being one of the oldest Scouts in this country, having been initiated into the Scout movement by no less a leader than Lord Baden Powell, the Chief Scout. He traced the introduction of scouting in the District of Malabar while he was the President of the District Board. He said he was axious to have the co-operation of the Scout leaders. While he was at Madras he met, Mrs. Clubwalla Jathav, State Commissioner (Guides) to do something for strengthening the Guide Section in South Malabar. Fortunately, there was immediate response and was assured that Mrs. C. Mohini, Joint National Organising Commissioner (Guides) and Miss. S. P. Dorairaj, Joint State Organising Commissioner, (Guides) who were coming to Coimbatore District would be deputed to run the Flock Leaders camp at Kollengode.

It was a happy coincidence that the Conference was held immediately after the Flock Leaders training camp at Kottayam-ballam. Raja Sahib offered his utmost co-operation and support to make the movement more active, popular and he also exhorted the parents to take an abiding interest He felt that the dearth of scouters with advanced training was a handicap and suggested that the Conference may devote attention in this regard He expressed the hope that the Scouts and Guides would ask themselves at the close of each day whether they had done a good turn and if they had done they would have justified their being in the movement, with these words and invoking the blessing of the Almighty, he declared the Conference open amidst great cheers.

Sri. A. V. Krishna Iyer, Secretary, S Malabar District, read the messages received from Mrs. Clubwalla Jadhav, State Commissioner, (Guides), Sri. N. D. Sundaravadivelu, State Commissioner (Scouts), Sri. V S. Rathnasabapathy, State Secretary, Sri. E. H Parameswaran, M. L C. Palghat, Sri Rajagopalan, State Organising Commissioner, Madurai, and Mr. Hegde, M. P. Mangalore.

After this Dr. Padmanabhan, District Commissioner, South Malabar, welcomed the members assembled and thanked in a sumptuous measure the great help given by the Raja Saheb and the Scout officers, scouters and guilders of all ranks, for their hearty co-operation.

Sri. T.R. Sundaram Pillai, District Commissioner (Scouts), Coimbatore, introduced every one of those present by narrating briefly the rank held by each in the Scout field and the professional work etc , and as each one was introduced he or she stood up in their seats so that every one present came to know one another in person. After this he presented a brief review of the genesis of the idea of holding Divisional Conferences and the work done at the First Conference held at Vellakinar on 26-7-'53 and the Second Conference held on 20-11'53 at Mangalore He briefly adverted to the various resolutions passed at both the Conferences and told the members about the work ahead.

Mrs. C. Mohini presented the Warrant of Assistant District Commissioner-ship (Guides) to Mrs. M Benjamin, Government Victoria College, Palghat. The recipient suitably replied and thanked the South Malabar District Association for having afforded her an opportunity of service to sister guides.

Mr C. S V. Ramani Kariakkar as the President of the morning Session expressed his warm appreciation and the help he had been receiving in an abundant measure from the various District Officers of all ranks and also appealed for further and greater co-operation from the public He laid emphasis on the absolute necessity for concentration on quality of work for the development of the Scout movement He said it was his faith and experience that God would come to the help of all sincere workers.

Then the Conference took up discussion on some of the burning topics concerning the movement.

Afternoon Session

The members re-assembled at 2-50 P.M.

Sri V. C. Subbiah Gounder, Assistant State Commissiener, Coimbatore, was voted to the chair In his introductory speech he referred to the introduction of rovering in mills and industrial concerns and was of opinion that it could be safely tried in cities rather than in village parts. He also referred to the very important aspect of the scouting movement, namely, the imperative necessity of having spiritualist ideals without at the same time entering into discussions on religion. He laid emphasis on the importance of the building role of character of boys and girls who are our national assets.

The first lecture for the day was that of Sri J. I. Muthiah, State Organising Commissioner, Western Division. Born out of experience covering over 3 decades, he said that the composition of the Patrol system must be so arranged as to ensure a permanency. For that the boys from the lower forms must be larger in number than from the higher forms so that the one who gains experience while in the lower forms may continue the work when he goes into the higher form. He welcomed the practice of appointing A D.Cs for particular work for particular areas as this will secure efficiency of an all round type.

(To be continued)

The Joint National Org. Commissioner, Guides in Madras

THE month of September envisaged a busy period in Madras State with the tour of the Joint National Organising Commissioner-Guides, Mrs. C. Mohini.

On the 1st of September 1954 Mrs. Mohini was welcomed by the State Commissioner-Guides when there was an informal meeting of all the Commissioners of Madras city at 11 A.M. at the State Headquarters. Miss. G. R. Samuel, Headquarters Commissioner for Training gave a report of work done in Madras and there was a discussion in which the Commissioners participated. Mrs. D. L. Gopal Ratnam, Headquarters Commissioner-Guides proposed a vote of thanks. After the meeting we all met under the shady Asoka trees for lunch. The State Secretary, Sri V. S. Ratnasabhapathy also joined us.

Mrs. C. Mohini left Madras for Tiruchirapally on the 2nd night. Mrs. L. Charles, District Commissioner-Guides of Tiruchi had drawn up an interestiug programme which consisted of visiting the Guide units in and around Tiruchi and visits to the place of historical interest. Mrs. Mohini stayed with Mrs. E. Ricketts while she was at Tiruchi. She addressed the Scouters and Guiders of Tiruchi and also met the members of the Rotary Club. The District Secretary, Dr. V. K. Ranganathan made the necessary arrangements.

Mrs. C. Mohini toured the districts of Coimbatore from 7th to 11th September. Mrs. I Roy Chatterjee arranged the programme for her visits to the various places and making her stay in Coimbatore a pleasant one. The Joint National Organising Commissioner-Guides visited places like Dharapuram and Tirupur and was much impressed by the handicrafts of the Dharapuram Industrial School. The tour in Coimbatore ended with a public meeting of Scouters and Guiders at the district Headquarters. Mrs. Mohini and Sri V. S. Ratnasabhapathy addressed the gathering. Sri S. Arulanandam, District Secretary helped the District Commissioner-Guides for arranging the programme for Joint National Organising Commissioner-Guides.

At the request of the Rajah of Kollengode the Joint National Organising Commissioner-Guides with the assistance of Joint State Organising Commissioner-Guides conducted a preliminary camp for Flock Leaders at Kottayambalam village about 3 miles from Kollengode. 37 Trainees attended the camp. Of these 7 members were teachers and the others were pupil teachers of the secondary section of the Rajah's Training School, Kollengode. Sri Subramaniam Iyer the Headmaster of Rajah's High School was responsible for making all the arrangements at a short notice Sri Madhavaraja visited the camp and helped the campers with all their needs. Mrs. Benjamin, Asst. Dist. Commissioner-Guides and Sri Krishna Iyer visited the camp. The camp was over on the 18th morning. It was followed by the Commissioners' Conference on the 18th and 19th September at the Rajah's High School, The Conference was well represented by several districts and useful topics were dealt with. The visit of the Joint National Organising Commissioner-Guides had a happy ending at South Malabar with the worthy appointment of Miss Saraswathy Madhavaraja as the Dist. Commissioner-Guides.

The Joint National Organising Commissioner-Guides returned to Madras on the 20th. The Advanced Training for Flock Leaders was conducted by the National Organising Commissioner-Guides and the Joint State Organising Commissioner-Guides for 5 days from the 21st September, at the Besant Scout Camping Centre at Adyar. 20 Guiders from the Madras Corporation area and one Guider from St. Thomas' Mount took advantage of the camp. Mrs. M M. Peters, the Dist. Commissioner-Guides of Corporation visited the camp on the 1st day. Mrs. M. C. Jadhav, State Commissioner-Guides and Mrs Gopal Ratnam, Headquarters Commissioner-Guides visited the camp on the last day and spoke to the Guiders. The State Secretary, Sri V S Ratnasabhapathy also visited the camp

After the busy events of one full month the Joint National Organising Commissioner Guides, Mrs. C. Mohini left Madras on the 28th September 1954. The Guiders and Commissioners whom she visited during this month were really happy to meet her and Mrs. Mohini has helped our Madras Guides and Guiders to keep up the game of Guiding.

S. P. DURAIRAJ
Jt. State Org. Commissioner-Guides

Commissioners' warrants Renewed

For the Year 1954—55.

Assistant District Commissioners (Scouts)

WARRANT No.	NAME	AREA
17/17- 9-51	Sri A. V. Krishna Iyer	South Malabar Dt.
79-29-10-52	,, Eric Willy	Ooty Municipality
82/3- 12-52	,, A. Krishnan	Ketagiri
88/ 3- 1-53	,, G. Deva Irakkam	Tanjore Tk West
89/ 3- 1-53	,, P. Srinivasan	Tanjore Tk. West
90/ 3- 1-53	,, H Krishnamurthy	Tanjore Tk West
102/ 6- 2-53	,, B. K. Mathan	Kumdah Firka
121/13- 2-53	,, V. P. Ramaswamy	Nilgiris
126/21- 5-53	,, R. Gosakan	Coonoor Taluk
140/13- 7-53	,, T S Santanam	Madras East
165/17-11-53	,, C. Govindan	Ooty Rural

Assistant District Commissioners (Scouts)

Warrants issued for the year 1954-55

182/25- 9 54	Sri K. I. Pappachan	Walluvanad
183/27- 9 54	,, A. V. Ramanathan	Mayuram
184/27- 9 54	,, B S. Bhasker Rai	S. Kanara

Assistant District Commissioners (Guides)

Warrants Renewed for the year 1954-55

20/21- 7-53	Mrs. S. Chellam	Central Madras
21/21- 7-53	,, Dorothy David	Central Madras
29/ 2-11-53	,, Profulla Hegde	Coondapur Taluk

District Commissioners (Guides)

Warrants issued for the year 1954-55

27/ 4.10-54	Miss. Saraswathi Madhava Raja	S. Malabar Dt.

Patrol Leaders of South Madras



Under Training at the Besant Scout Camping Centre, Adyar, 19th to 22nd August, 1954.

Regd. No. M. 4171

THE BOOKS AVAILABLE AT THE STATE HEADQUARTERS

WENLOCK PARK, P.B. No. 4[illegible], MADRAS-5.

1.	How to run a Pack—Gilcraft.	...	2	12
2.	Out Door Hints for Boy Scouting—J. Gibson	...		6
3.	The Patrol System for Guides	...	1	12
4.	Pioneering—Gilcraft	...	2	12
5.	Physical Training—A Guide for Guiders—by D. W. Mitchell	...	2	3
6.	Physical Training for Boy Scouts	...	0	12
7.	The Cub Book by Lord Baden Powell	...	0	12
8.	Games for Guides—A. W. N. Mackenzie	...	2	12
9.	The Patrol System—by R. E. Philipps	...	0	12
10.	Wolf Cubs—Gilcraft	...	2	12
11.	Scouting for Boys—Boys Edn. by B. P.	...	2	3
12.	Running a Troop	...	1	12
13.	Sea Scouting & Seamanship for Boys	...	2	0
14.	Games for Camp & Club Room—Vera Barclay	...	2	3
15.	Sea Scouting—Tom Browne	...	2	14
16.	Hand Work for Cubs—M. L. Seymour	...	0	13
17.	Sixty Indoor Games—J. E. Collyer	...	0	12
18.	Surveying & Mapping—Gilcraft	...	1	12
19.	Pioneering Projects—John Hannan	...		0
20.	The Book of Cub Games—Gilcraft	...		0
21.	How to run a Patrol	...	0	12
22.	Be Prepared—Air Cmd Pilot—Jack Maynard	...	1	0
23.	Boy Scouts Knot Book—J. Gibson	...	1	10
24.	Games for Cubs—New Gilcraft series	...	3	14
25.	The Girl Guide Book of Knowledge—by E.M.R. Burgess	...	2	3
26.	Indoor Games for Scouts—by Reg Hazlewood	...	3	11
27.	A. P. R. O Part I	...	1	4
28.	A. P. R. O Part II	...	1	0
29.	A. P. R. O Part III	...	0	12
30.	Scheme of Training (Guides)	...	0	[illegible]
31.	Memorandum Rules & Regulation	...	0	4
32.	Wolf Cubs Hand Book	...	2	[illegible]
33.	Camping suggestions-Kenneth G. Sparrow	...	2	12
34.	The Boy Scouts Camp Book-by Plaing Carrington	...	2	[illegible]
35.	Games & Character Training—By Major F.M. Crum	...	1	[illegible]
36.	Games for Scouts-Mackenzie	...	3	[illegible]
37.	The Cub Book-B.P.	...	0	[illegible]
38.	Letters to a Wolf Cub—Gilcraft	...		3
39.	Exploring—Gilcraft	...	2	[illegible]
40.	Games for Cubs—Mackenzie	...	2	0
41.	Outdoor Games for Scouts—by John Tarrison & Herbert	...	3	14
42.	The Girl Guide Knot Book	...	1	[illegible]
43.	Girl Guiding—B. P. of Gilwell	...	3	14
44.	Knotting to Specs	...	3	[illegible]
45.	Games for Boys Scouts—Dal Co	...	2	[illegible]

British Insurance

Two-Edged Expansion

IT is an established convention that British life offices set up new records each year. That was certainly true of last year, when new business, measured by the total of net new sums assured, reached another peak. From what is known and can be guessed, there seems every likelihood that the total net new sums assured by offices established in the United Kingdom both in the British and overseas markets and by the dozen or so commonwealth offices that transact a virile business in this country must comfortably have passed the £800 million mark in 1953. In the previous year, the comparable figure was about £775 million, and in 1951 it was £735 million. The ever-rising tide of life assurance business is an achievement in which the offices are entitled to take pride. But it is not in the totals themselves that the significant pointers to new life assurance business are necessarily to be found; for the totals combine two distinctive—and in some respects mutually exchangeable—types of business.

Because of the growing importance of staff scheme policies, no final judgment on the new business figures is possible until they are divided into staff pension contracts and life assurance, on the one hand, and individual policies on the other hand. The exact division of the 1953 figures in this way will not be known until later in the year when the life offices associations publish their annual statistics. For guidance, it may be recalled that in 1952 about one-third of the total annual new premium income was attributable to "scheme" (mainly pension) business; and there are some indications that the increase of scheme new business last year was at a slower rate than previously.

Other yardsticks, apart from new sums assured, suggest that the volume of new ordinary life assurance business was less favourable last year than in 1952. Here again the need for careful interpretation is important. For example, the number of new policies issued fell in 1952 and was lower again last year. But there is a growing tendency to issue a single master policy to cover a staff scheme (in which there may be several hundred individual participants) and a fall in the number of new policies that is due to this cause alone is certainly not significant. But this can hardly be the only cause; there are indications that he demand for new individual insurance—as opposed to staff scheme policies—is being barely maintained. Again, the amount of new life assurance business can be measured fairly well by the new annual premium income that results from it. The figures of the leading offices for 1953 show that new annual premium income was slightly lower than in 1952, in which year it had in turn been lower than in 1951. New deferred annuity annual premiums (these are predominantly for staff pension schemes) were also lower in 1953 than in the previous year, and also lower still than in 1951.

This evidence, provisional though it is in part, is of major importance to the life offices. Individuals and employers together took up appreciably more life assurance cover last year than in 1952. But they did not thereby increase the rate at which new premium income is being secured by the life offices. That is the factor on which keen eyes in the industry are fastened; they are not diverted from it by the considerable acceleration last year in the build up of the life and annuity funds, for this was partly a reflection of the cumulative growth of deferred annuity contributions under staff schemes. In 1952 these were running at the rate of about £50 million, and only relatively small sums were being paid in pensions. Life and annuity funds as a whole administered by offices domiciled in the United Kingdom rose by about £150 million last year compared with about £125 million in 1952 and £111½ million in 1951.

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Indications this year suggest that new life business is running at about the same level as in 1953. There seem to be signs that new life assurance and annuity business in this country is becoming stabilised and that any material expansion in business can only come from a larger national income. A further growth in pension schemes is surely to be expected. Professional men, the self-employed, controlling directors and the life offices themselves all hope that the Chancellor of the Exchequer will find himself able next year to implement the recommendations of the Millard Tucker Committee on the taxation treatment of provisions for retirement.

In that event, an upsurge in scheme assurances and deferred annuities could be relied upon. But new business of this kind, like much of the staff scheme contributions that are now paid, would to some considerable extent

have to be regarded as a substitute for premiums that would otherwise have been paid under individual policies, mainly for endowment assurances. The inroads that the large postwar expansion of pension and life assurance schemes—including those that are privately administered—appears already to have made into the market for individual ordinary and industrial new life assurance would then be materially extended. The recent report of a research group of actuaries constituted by the Institute and the Faculty of Actuaries* examined this point and acknowledged that it was impossible to measure the extent to which pension schemes might be growing at the expense of ordinary life assurance. The direct effect on existing insurances has so far been small, for a contributor to a pension scheme would probably drop any other saving (except building society repayments) rather than drop an existing life policy. But the prospect for the future is the important question; the panel of actuaries felt that the impact of the growth of pension schemes on other life assurance business had yet to be fully tested. The establishment of specialist pension scheme departments by nearly all the life offices and by leading firms of insurance brokers, who nowadays handle a substantial number of the larger policies, suggests that this prospect is already well in mind.

Whether or not individual members of the public are able and willing to increase their volume of savings through life assurance, they are being offered terms today that are more favourable than at any time since 1939. Life assurance and annuity premium rates are based on assumptions about the future course of mortality, the cost of running the office, and the net yield that will be obtained on the invested funds. The trend of mortality rates is moving in favour of the offices in life assurance business, but against them in annuity business, which includes pension schemes. In the case of the overwhelmingly popular endowment assurance, the charge to cover the risk that the sum assured will have to be paid before the maturity date of a policy is now so small for first class lives that no further significant cheapening of premium rates is likely, even if there were to be a considerable further lightening of mortality at the relevant ages.

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But in the case of pension schemes, long range forecasting of a quite different order is imposed on the offices. The pension of a new entrant may not start for forty years or more; and since the dice of medical progress are loaded against them, the offices are certainly not charging excessive deferred annuity premiums in relation to the increasing "risk" that the policyholder will live to a riper old age. Expenses, stated as a ratio to premiums, are at present being held steady and even reduced. For a large sample of offices, the average expense ratio, adjusted for single premium and for immediate annuity business, was 13.7 per cent last year, compared with 14.0 per cent in 1952 and 14.1 per cent in 1951. But this apparently satisfactory achievement needs some qualification. Annual premium incomes are being swollen by staff scheme deferred annuity contributions; and these materially help to reduce the expense ratio. But the rates of contribution under staff schemes do not contain an explicit margin to pay for future costs of management as large as that contained in a similar amount of premium income for whole life and endowment assurances, which are still the backbone of life business.

Interest rates are the third, and most important, factor in the determination of premium rates. The effect of compound interest over long periods is profound, and the life offices commit themselves to a considerable act of faith in discounting a given net rate of interest throughout the existence of every life or annuity contract. Given the lively competition that exists between some eighty different offices, and the secular trend towards lower interest rates that some observers hold to be probable, those offices that transact a large proportion of their business in the form of non-participating policies (nearly all pension schemes are in this category) would be less well placed than they are if they had no opportunity to hedge, if only partially, against the risks inherent in a movement of the rate of interest, either up or down, from the level current when the premium was fixed. The worst risk is that the net return on the invested funds will fall below the rate assumed in the premiums; a rise in the rate of interest, on the other hand, benefits the life offices once they have written down their assets.

These are problems that actuaries have long pondered. They have recently paid considerable attention to the associated problem of matching the assets of a life office to its liabilities so that the contractual payments in future years can in all circumstances be met out of current income and maturing investments. If a theoretically perfect matching could be achieved between assets and outgoings, an office would be virtually immunised from the effect of changes in the rate of interest. The theoretical solution of matching cannot, however, be achieved in practice; only gilt-edged stocks provide the necessary spread of investment maturity dates. The more shrewd the choice, the less will be the impact of a change in the rate of interest. But the other side of the hedge against changes in interest rates—and one more comforting to the life offices—is to transact a worthwhile volume of participating business. The considerably higher premium rates on such business provide a useful cushion; and changes in the profitability of the business are reflected in the rate of bonus declared. It is significant that, following the Prudential, the Equity and Law now offers staff pension schemes on a participating basis. Such schemes are still uncommon, whereas participating terms on individual life policies are entirely familiar. The fact that the Legal and General is again offering normal participating policies provides further evidence of the desire of the offices to avoid exposure, as far as they can, to the abnormally low interest levels of eight years ago, and equally to the consequences on the book values of their assets of the relatively high levels of eighteen months ago.

Last year, as Table IV shows, the yield on life office funds rose further. The net yield of 3.89 per cent—which is the important figure in this context—was the highest since 1939. This figure evidently owes a good deal to the rise in interest rates during the first phase of Mr Butler's flexible monetary policy—a phase in which high-class debentures could be bought on a 5 per cent basis and good equities at 6 per cent and more. But the yield on new money, and in particular on new debentures, which are a favourite life office investment, has fallen considerably during the last eighteen months and average yields this year may be lower than in 1953.

All these considerations pose a question: How long can the present favourable rates of premium for non-participating assurances and for annuities, both immediate and deferred, be continued? Existing rates have been arrived at over several years in open competition between the offices in a climate of rising yields on new money; it is this rate rather than the return on the fund of invested assets that is relevant in the fixing of premiums at any given time. The traditional caution of actuaries has maintained a useful margin between the rate of interest actually assumed and that obtainable at the time the premiums were calculated. Falling interest rates, which have reduced the gross return on high-grade debentures by a full 1 per cent since the beginning of last year, must have materially narrowed the margin between the rates that the actuaries have assumed and the rates now currently earned. But it is perhaps unlikely that premium rates for non-participating life and annuity contracts will be increased in the immediate future. Life offices move in response to firmly established trends as they emerge in the course of time, and not in response to fluctuations that may be only short-lived. Immediate annuity rates of some offices are especially attractive at the moment because of a technical tax point. Annuity funds at present bear tax on the surplus of interest income over actual annuity payments. There is accordingly an advantage, from the taxation point of view, in increasing the annuity payments up to the point of balance, and this advantage is reflected in current premiums on immediate annuities. But it would disappear if the proposals for a more logical basis of taxation for life office annuity funds made in the Millard Tucker report were implemented.

Bonuses on participating policies rose further last year as Table XI shows. Interim bonuses declared by those offices that make an actuarial valuation of their liabilities at triennial or quinquennial intervals have also been increased. The profitability of life assurance depends materially on the yield on the assets. But if yields should start to fall, no reduction in bonuses from their present rates would be likely in the short run; the next bonus declarations of offices that value at other than annual intervals will undoubtedly be considerably higher than those declared at the last valuation.

* The Growth of Pension Rights and their impact on the National Economy.

How Insurers Invest

A FORTNIGHT ago, Mr J. W. J. Levien, the chairman of the British Insurance Association, presented some impressive statistics of the growth of British insurance business and investments. He put the increase in net premium income last year at more than £40 million, distributed between the branches thus:

BRITISH INSURANCE COMPANIES—NET PREMIUMS WRITTEN

	1952	1953
	£ mn.	£ mn.
Fire	208·1	210·4
Accident	266·8	288·4
Marine	67·5	60·7
Ordinary life	260·7	279·1
Industrial life	122·3	127·1
Total	**925·5**	**963·8**

At last year's pace, the British insurance offices will this year be handling a billion pounds of premiums for the first time. And out of this sum a considerable part will form a net accretion to insurance portfolios, invested against the time when assurances become payable and against the hazards of fire, accident and marine insurance.

Mr Levien's figures of insurance investments compiled from returns made by members of the association, show a net increase in invested assets of £273 million during the course of 1953. The next table gives a general analysis of these holdings:

BIA MEMBERS—TOTAL INVESTMENTS

	1952		1953	
	£ mn.	*Per cent*	£ mn.	*Per cent*
British Government and guaranteed secs.	1,178·0	*33·2*	1,244·0	*32·6*
Mortgages	386·1	*10·9*	424·0	*11·1*
Debentures, loan stocks, pref. and guar. stocks and shares	736·1	*20·6*	805·0	*21·1*
Ordinary	431·6	*12·2*	478·8	*12·5*
Other	821·5	*23·2*	864·3	*22·7*
Total	**3,543·0**	*100·0*	**3,816·1**	*100·0*

This analysis is on a slightly different basis from that adopted in the long series of insurance surveys of *The Economist*. The basic data on the investment policy and the interest return on insurance of funds are given in the four tables on the next page. They relate to over forty of the principal offices, and they distinguish between the distribution of life funds and the distribution of non-life funds—to which different investment considerations apply.

Table 1 shows the distribution of the total assets of 44 offices. Two contrasted points emerge from it. Each year shows a major expansion in insurance funds; and each years also shows a moderate change in the percentage distribution of the funds. Last year the total assets of these 44 offices expanded by £234.5 million, whereas in 1952 the increase had been £180.8 million and in 1951 £188.8 million. The total assets of all United Kingdom registered insurance companies probably exceeded £4,000 million at the end of 1953 and in addition the funds of friendly societies transacting life assurance business (mainly industrial) may amount to about £225 million. At a rough guess, perhaps £650 million of these assets may be held abroad to cover liabilities over the free world, and of this perhaps £200 million may relate to life and annuity business.

The second point is the comparative slowness of change in the percentage distribution of insurance assets. The absolute changes are impressive: over £60 million was put into gilt-edged holdings last year, £46 million into debentures and £42 million into ordinary shares. The result of these changes on the percentages is deceptively small: a fall in gilt-edged from 30.6 per cent to 30.3 per cent (though this is fully 2 percentage points lower than at the end of 1951); a further rise in debentures to 11.9 per cent (nearly a point higher than two years earlier, which bears witness to the attractions of good debentures during the dearer money phase); and a virtually identical rise in the ordinary share percentage. A major change in investment policy has been undertaken by many offices in recent years, towards an expansion of their equity holdings; it should not be thought that such a change shows results quickly in the investment percentages, or that any given percentage distribution is the "right" one by any criterion except the security of the policy holders.

ANALYSIS OF INSURANCE INVESTMENTS AND INTEREST RATES

TABLE I.—DISTRIBUTION OF INSURANCE ASSETS.
TOTAL CONSOLIDATED ASSETS OF 44 OFFICES.

Class of Asset	1951	1952		1953	
	per cent	£ million	per cent	£ million	per cent
Mortgages, incl. policy loans	11·2	400·6	12·2	435·8	12·4
British Government and Goverment guaranteed securities	32·4	1,007·0	30·6	1,068·1	30·3
British Municipal and County and Overseas Government and Municipal securities	10·9	357·6	10·9	368·3	10·5
Debenture stocks	11·0	373·5	11·4	419·6	11·9
Preference shares	7·5	231·8	7·0	244·5	6·9
Ordinary shares	10·9	377·7	11·5	420·0	11·9
Other investments	1·4	46·5	1·4	46·0	1·3
Property	6·7	234·3	7·1	260·9	7·4
Cash, agents' balances, etc.	8·0	260·3	7·9	260·6	7·4
Total Assets of 44 Offices	100·0	3,289·3	100·0	3,523·8	100·0

TABLE II.—PERCENTAGE DISTRIBUTION OF LIFE, ANNUITY AND CAPITAL REDEMPTION ASSETS OF 42 OFFICES—END 1953

Company	Mortgages, including Policy Loans	British Government Securities	Home and Overseas Government and Municipal Securities	Debenture Stocks	Preference Shares	Ordinary Shares	Other Investments	Property	Cash, Agents' Balances, etc.
15 Mutual Life Offices									
Equitable	14·4	20·2	6·4	18·8	6·9	11·2	10·8	8·6	2·7
Friends' Provident (a)	27·5	14·1	2·2	19·2	7·2	13·8	5·3	7·7	3·0
London Life	15·9	36·7	6·3	8·3	6·2	15·2	...	9·7	1·7
Marine & General	14·4	16·4	2·2	10·3	15·9	23·7	...	12·7	4·4
National Mutual	17·1	20·0	3·5	18·0	12·0	15·1	...	10·7	3·6
National Provident	13·5	13·7	6·8	16·5	15·4	20·6	0·1	10·6	2·8
Norwich Union	47·7	14·5	6·6	4·5	0·9	4·0	5·7	13·0	3·1
Provident Mutual	5·1	33·4	4·6	13·7	14·6	21·0	...	2·3	5·3
Scottish Amicable	13·3	44·3	3·4	10·6	7·6	14·4	...	2·7	3·7
Scottish Equitable	25·2	22·1	2·7	13·4	8·9	22·5	...	1·1	4·1
Scottish Mutual	15·2	23·3	2·5	10·9	17·6	16·4	2·4	7·4	4·3
Scottish Provident	7·8	36·3	5·4	14·5	11·7	15·9	0·1	5·6	2·7
Scottish Widows'	6·6	29·6	3·6	10·6	13·7	30·1	0·6	3·1	2·1
Standard	8·3	24·8	9·2	20·2	9·5	19·7	8·1	0·5	1·7
UK Provident	11·4	14·1	11·0	5·2	7·2	25·0	0·3	23·5	2·3
Average	18·5	24·1	6·1	12·7	8·5	16·9	3·3	7·2	2·7
6 Proprietary Life Offices									
Clerical, Medical & General	17·6	12·2	1·0	4·6	5·0	17·6	25·7	11·5	4·8
Equity & Law	9·8	20·0	1·9	16·1	11·1	22·8	11·1	4·9	2·3
Scottish Life	11·1	20·9	0·9	16·2	21·0	24·7	...	1·5	3·7
Sun Life	27·3	31·8	3·5	25·5	2·8	5·4	...	1·5	2·2
Average	20·5	25·3	2·4	19·6	6·5	12·8	6·3	3·8	2·8
7 Industrial-cum-Ordinary Life Offices									
Britannic	23·6	41·7	4·9	3·7	3·7	16·0	0·1	1·9	4·4
Co-operative (b)	23·7	43·0	3·2	4·0	5·1	7·7	2·3	7·5	3·5
Pearl (b)	3·0	41·9	11·0	13·1	7·3	14·9	0·1	4·6	4·1
Prudential (b)	5·6	42·3	6·0	14·0	6·9	11·8	0·2	9·8	3·4
Refuge	17·1	39·7	6·0	11·8	13·2	7·8	0·6	1·3	2·5
Royal London	8·9	41·6	5·8	9·3	13·6	15·4	...	3·0	2·4
Wesleyan & General	29·9	40·4	5·6	5·7	11·2	0·1	...	4·9	2·2
Average	9·8	41·9	6·4	11·6	7·8	11·8	0·4	6·9	3·4
16 Composite Offices(c)									
Alliance	11·3	33·2	5·7	29·2	7·8	7·7	...	2·1	3·0
Atlas	19·5	25·5	2·3	14·7	10·2	14·3	0·2	10·1	3·3
Caledonian	18·6	34·4	3·5	8·2	7·3	18·9	...	4·7	4·4
Commercial Union	13·4	30·7	4·8	18·5	10·3	11·1	...	8·8	2·4
Eagle Star	12·9	33·8	4·0	6·9	7·6	20·0	0·3	10·6	3·9
Guardian	30·1	12·5	1·1	11·9	10·3	19·6	...	8·5	6·0
Law Union & Rock	25·2	33·8	6·5	9·2	7·6	8·6	...	5·3	3·8
Legal & General (b)	19·2	18·5	6·4	8·4	4·1	7·0	0·2	31·1	6·1
Liverpool & London & Globe	9·1	46·0	5·9	15·6	4·0	13·4	...	3·9	2·1
London Assurance	38·2	16·4	2·2	11·9	9·1	14·4	...	4·2	3·6
North British & Mercantile	23·7	42·7	9·9	5·8	3·1	7·9	1·2	1·0	4·7
Northern	21·7	19·7	6·1	20·6	10·3	16·6	...	1·1	3·9
Phoenix	21·7	32·8	5·3	12·9	5·6	13·3	...	5·7	2·7
Royal	11·5	47·9	11·3	12·7	2·8	11·6	...	0·7	1·5
Royal Exchange	13·6	17·1	2·8	37·4	7·7	11·2	...	6·7	3·5
Yorkshire	23·2	35·8	2·4	1·7	2·2	10·6	11·0	8·1	5·0
Average	18·6	28·2	5·4	12·3	6·0	11·2	0·6	13·4	4·3
Average of 42 Offices	14·4	33·9	5·9	12·5	7·4	12·8	1·4	8·3	3·4

(a) Excluding Century assets. (b) Including fire, accident, etc., assets (which in no case exceeded 5 per cent of the total assets). (c) Excluding capital redemption assets.

TABLE III.—PERCENTAGE DISTRIBUTION OF ASSETS OTHER THAN LIFE AND ANNUITY ASSETS OF 16 OFFICES—END 1953.

Company	Mortgages, including Policy Loans	British Government Securities	Home and Overseas Government and Municipal Securities	Debenture Stocks	Preference Shares	Ordinary Shares	Other Investments	Property	Cash, Agents' Balances, etc.
Alliance	12·9	22·8	11·5	7·8	5·3	6·7	0·1	5·7	27·2
Atlas	5·8	8·7	27·2	10·5	1·5	5·7	0·3	6·4	33·9
Caledonian	9·2	18·2	21·8	8·4	3·9	3·1	...	3·1	41·3
Commercial Union	14·9	26·6	9·4	6·6	10·6	...	...	3·4	26·1
Eagle Star	6·2	4·8	15·3	6·0	5·3	29·2	1·7	7·0	24·5
Employers' Liability	...	4·4	50·2	10·8	1·4	6·9	1·6	2·5	22·2
Guardian	7·1	12·5	18·2	8·4	4·6	10·9	...	4·8	33·6
Liverpool & London & Globe	2·1	10·2	51·0	6·9	5·2	5·7	...	0·7	18·2
London & Lancashire	3·1	12·7	32·6	6·7	6·5	6·1	...	3·9	29·4
London Assurance	4·1	11·8	18·1	12·5	6·1	11·2	5·5	4·8	28·9
North British & Mercantile	1·5	17·0	33·7	10·4	5·5	6·9	2·4	1·4	21·2
Northern	1·2	19·9	20·0	12·0	5·1	8·6	...	2·1	31·1
Phoenix	3·5	8·8	27·6	16·0	6·8	7·2	0·2	5·8	25·3
Royal	1·7	15·4	44·9	7·1	4·9	6·9	1·6	2·4	16·1
Royal Exchange	3·5	26·4	22·9	9·6	1·9	3·7	0·5	1·8	29·7
Yorkshire	6·2	17·0	23·6	7·8	3·9	5·7	...	5·6	30·2
Average of Non-Life Assets of 16 Offices	3·2	14·1	31·0	9·4	4·8	8·1	0·8	3·4	25·2

TABLE IV.—RATES OF INTEREST PER CENT, LIFE AND ANNUITY FUNDS OF 42 OFFICES.

Company	Gross			Net		
	1951	1952	1953	1951	1952	1953
Mutual						
Equitable	4·61	4·92	5·08	3·84	4·06	4·12
Friends' Provident	5·50	5·51	5·88	4·72	4·42	4·98
London Life	4·57	4·69	4·83	3·38	3·42	3·56
Marine & General	4·80	4·85	4·91	3·88	4·00	4·31
National Mutual	5·08	5·16	5·48	3·86	4·00	4·20
National Provident	6·22	6·36	6·32	4·57	4·74	4·75
Norwich Union	4·40	4·55	4·58	3·88	4·02	4·04
Provident Mutual	4·74	4·79	4·84	3·65	3·82	3·83
Scottish Amicable	4·82	4·99	5·07	4·06	4·33	4·32
Scottish Equitable	5·05	5·19	5·40	3·81	4·10	4·25
Scottish Mutual	4·84	5·07	5·24	3·90	4·16	4·14
Scottish Provident	4·88	5·02	5·32	3·77	3·99	4·16
Scottish Widows'	5·34	5·35	5·72	4·10	4·18	4·29
Standard	4·34	4·50	4·75	4·07	4·12	4·29
United Kingdom Provident	5·77	5·86	5·99	4·25	4·29	4·34
Average	5·00	5·12	5·29	3·98	4·11	4·24
Proprietary						
Clerical, Medical & General	5·10	5·11	5·25	4·05	3·91	4·01
Equity & Law	5·25	5·88	5·76	4·47	4·93	4·84
Scottish Life	4·67	4·79	4·96	3·89	4·17	4·34
Sun Life	4·04	4·22	4·39	3·36	3·48	3·58
Average	4·76	5·00	5·09	3·95	4·12	4·19
Industrial-cum-Ordinary (a)						
Britannic	4·26	4·38	4·50	3·18	3·29	3·34
Co-operative	3·86	4·09	4·16	3·34	3·37	3·35
Pearl	4·61	4·76	4·84	3·63	3·67	3·72
Prudential	4·20	4·59	4·84	3·81	3·97	4·14
Refuge	4·26	4·38	4·53	3·38	3·43	3·49
Royal London Mutual	4·11	4·35	4·55	3·33	3·41	3·49
Wesleyan & General	4·02	4·20	4·39	3·44	3·55	3·58
Average	4·19	4·39	4·54	3·45	3·52	3·59
Composite						
Alliance	4·40	4·45	4·62	3·02	3·06	3·18
Atlas	4·40	4·62	4·85	3·62	4·08	3·79
Caledonian	4·50	4·54	4·79	3·47	3·47	3·55
Commercial Union	4·17	4·34	4·52	3·16	3·48	3·51
Eagle Star	4·48	4·73	4·95	3·74	3·92	4·03
Guardian	4·87	5·00	5·04	4·13	4·26	4·17
Law Union & Rock	4·18	4·31	4·38	3·40	3·51	3·59
Legal & General	4·41	4·39	4·52	3·88	3·92	4·00
Liverpool & London & Globe	4·21	4·51	4·66	3·05	3·20	3·37
London Assurance	4·55	4·58	4·64	3·35	3·41	3·51
North British & Mercantile	4·02	4·15	4·22	2·97	2·95	3·18
Northern	4·39	4·46	4·73	3·22	3·48	3·60
Phoenix	4·42	4·58	4·72	3·17	3·22	3·35
Royal	4·13	4·25	4·32	3·31	3·47	3·61
Royal Exchange	4·69	4·85	5·15	3·43	3·60	3·80
Yorkshire	4·31	4·45	4·52	3·83	3·92	3·98
Average	4·38	4·51	4·66	3·42	3·56	3·63
Average of 42 Offices	4·61	4·76	4·91	3·68	3·80	3·89

(a) Excluding industrial life funds.

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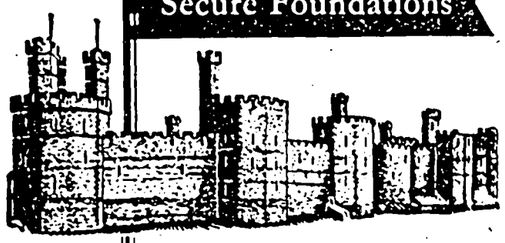
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"Nineteen hundred and fifty-three saw the end of the erosion of capital values that the offices had been facing virtually without respite since the beginning of 1947. The effect of rising interest rates on the life offices is not the simple and direct one of falling capital values and improved interest earning possibilities. The offices, broadly speaking, can themselves offset the falling market values of their investments caused by rising interest rates by raising the rate of interest that they use in the actuarial valuation of their liabilities ; in layman's terms, the effect of this slightly complicated counterpoint is to release reserves which can then be used to write down the balance sheet value of the assets. A high yield on the invested funds is the main source of profits out of which the bonuses on participating life policies (and in a few offices, pension annuity contracts) are provided.

But depreciation in the market value of the assets of a life office can be counterbalanced by adjusting the interest rate assumed in the actuarial valuation of its liabilities only if the maturity dates of redeemable stocks and the proportion of short term assets (including mortgages) and of perpetual stocks (including preference and ordinary shares) are nicely matched to the liabilities as they emerge, so that lump sum and periodical benefits under life assurance and annuity policies and the means to meet them can be synchronised. Such an ideal matching of life office assets and liabilities cannot be achieved in practice ; matching can be raised to the optimum, but never to perfection. Some uncovered depreciation on investment portfolios has therefore to be accepted on a falling market.

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In the case of non-life assets, there is no way of obtaining protection against depreciation apart from investing a high proportion of them short. This is, in fact, the practice in the investment of the general funds ; cash or its equivalent represented more than a quarter of the non-life assets of the leading offices included in Table III. Investment managers must have heaved a sigh of relief when the turning point of fixed interest security values occurred at the end of 1952. Good quality fixed interest stocks could be expected to recover, but the fact is that the Assurance Companies Act 1909 calls for a certificate that, in the aggregate, the assets are fully of the value stated and by the end of 1952 there were indications that hidden investment reserves had been considerably depleted. The recent batch of chairmen's speeches refer to the useful margin that has been re-established between the book and market value of the assets. The measure of the recovery may be taken from the Actuaries' Investment Index: last year 2½ per cent Consols gained 9.3 per cent, debentures 8 per cent, preference shares 7.1 per cent and ordinary shares no less than 16 per cent. Three per cent Savings Bonds 1965-75, which may be taken as more relevant for life office gilt-edged investments than Old Consols, rose in 1953 by 6.6 per cent.

Whatever relief insurance companies may have experienced at the relaxation of the long drawn out pressure on their investment reserves, their investment of new money last year shows that they were fully alive to the implications of rising Stock Exchange prices. The year opened with the issue of the Anglo-Iranian 5 per cent debenture stock 1974/78 at 98½ into which the institutions tumbled with enthusiasm ; it closed with the yield on new issues of good class redeemable debentures down to 4½ per cent and the

rate is now virtually 4 per cent. Fixed interest securities and mortgages accounted for three-quarters of last year's total increase in assets.

Only £12½ million was placed last year in preference shares—in 1952 they had actually fallen—and they now represent less than 7 per cent of insurance portfolios. In equities, these offices increased their stake by £42.3 per cent to 11.9 per cent of total assets. The measured trend towards increased holdings of equities continued, but the insurance companies rightly refuse to be harried into investment in ordinary shares at prices, and times, that do not appeal to them. Last year the offices were concentrating their efforts on securing yields on fixed interest stocks that were historically most attractive. Given their responsibilities to policyholders, the life assurance offices do not appreciate arguments that it is in some sense their economic mission or public duty to undertake investment in risk bearing securities because they alone are in a position to step into the role formerly played by the private saver and investor. They are acting with a sufficient sense of public responsibility in their equity policy to make such neo-Socialist arguments empty of meaning. And perhaps some of them would argue that, dividend thaw or no, equities can sometimes be purchased rather dearly when, as in present conditions, their supply is strictly limited, and they are increasingly coming into the permanent hands of the insurance offices themselves.

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As in the 1953 survey, the yield calculations in Table IV show the gross as well as the net interest earnings of a large sample of life offices. Both gross and net yields improved for nearly all the offices last year ; but yields this year might be slightly lower than in 1953. The gross and net yields have been calculated for each office by the same formula, but because of differences between the offices in the method of provision for investment depreciation, the yields shown for the different offices may not be necessarily comparable. It is, however, clear that some offices and groups of offices consistently secure appreciably higher returns from their invested funds than do others. Gross yields ranged last year from 6.32 to 4.16 per cent ; the average yield for mutual offices was 5.29 per cent, for proprietary offices 5.09 per cent, for industrial-cum-ordinary offices 4.54 per cent and for composite offices 4.66 per cent. Net yields ranged from 4.98 to 3.18 per cent the average yields of the four types of office were 4.24, 4.19, 3.59 and 3.63 per cent, respectively. Net yields are subject to more variation between offices than gross yields because of the different basis on which taxation is chargeable on life and annuity funds.

Table II is a chastening refutation of the notion that there is some ideal investment distribution. There are nine offices that hold 20 per cent or more of their assets in ordinary shares ; there are also nine that hold less than 10 per cent in equities. Actuaries and investment managers dispute in professional argument what the ideal should be—or might be. But they know well that their success is based not on any set of rigid principles but on the application of judgment and the art of selection within a field of reference that they have, when all is said, to set for themselves. Theirs is the choice of the "right" proportions and theirs is the duty of care in making as sure as they can that these proportions are such as best serve the policyholder. They have not been lacking in that duty, even though their different conceptions of what are the "right" proportions vary so widely.

For the Patient Investor

THE long term investor who chooses insurance shares usually bats on a good wicket; the expansion of the industry sees to that. A volume of business steadily expanding through the decades and largely in the hands of old, strong companies, gives insurance ordinary shares many of the characteristics of money stocks. All the risks that normally attach to equities, save one, are at a minimum. The risk of a trading loss is inconsiderable; the risk of reduction in dividend is seldom serious, for increases are almost always well secured. The one risk that matters is of an adverse turn in money rates—for insurance shares, like bank shares, fall when Consols fall. For compensation, there are the manifest advantages of equity investment that they offer—the sturdy growth of the oak well short of maturity, and not the leggy uprush of the poplar. The past year, with its crop of twelve dividend increases from twenty leading insurance companies, following no less than eighteen in 1952, has shown once again the equity vintage of insurance shares.

But if the long range investor can hold insurance shares and feel that his grandchildren are not likely to lose by his choice, that does not imply that every day is the right day to buy. Insurance companies have another habit of which he must take account. They tend to increase their dividends at intervals; they prefer the decisive increase interspersed with long periods of stability to the idea of small and frequent adjustments. One such wave of decisive dividend adjustments has just taken place. It may have seemed more spectacular because it marked the end of the excessive stringency of the Cripps-Gaitskell period of dividend restraint. Restraint is in fact most effectively exercised, as it always was, in insurance dividends. Even after the latest increases, net dividends do not absorb much more of the companies' interest income than they did in 1950. But for a fair number of companies they may have reached a level from which further advance must await a further growth in net earnings.

That view can be sustained. The extent of dividend increases and of capital adjustment that has taken place since the thawing of the dividend freeze (which the insurance companies closely observed) has been marked. Between 1950 and 1953 the twenty leading companies listed in Table VI increased their net ordinary dividend payments by 27.7 per cent from £6.33 million to £8.08 million. In the same period, the net underwriting profits of the companies and the dividends they themselves received on their non-life investments rose by 13.1 per cent from £17.5 million to £19.8 million. The habit of paying dividends out of investment income alone and ploughing back into the general funds all underwriting profits is deeply

TABLE V.—INSURANCE EARNINGS AND DIVIDENDS

Company	Total Premium Income*	Underwriting Profits: Net Trading Surplus*	Underwriting Profits: Ratio to Premium Income*	Underwriting Profits: Surplus Transferred from Life Business	Underwriting Profits: Total Net Trading Surplus	Interest Earnings and Dividends: Net Interest Earnings‡	Interest Earnings and Dividends: Net Ordinary Dividends	Interest Earnings and Dividends: Proportion of Net Dividends covered by Net Interest Earnings*	Proportion of Premiums covered by Reserves*†	Ordinary Shares: Price, July 2, 1954	Ordinary Shares: Yield, per cent.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	£	£	per cent.	£	£	£	£	per cent.	per cent.		£ s. d.
Alliance	13,485,484	507,715	3·8	82,186	589,901[a]	467,421	462,000	101·2	148·5	30½	3 19 4
Atlas	9,167,786	199,133	2·2	18,814	217,947[b]	247,288	181,500	136·2	117·1	3⅞	4 2 9
Caledonian	7,132,800	125,692	1·8	16,818	142,510	149,736	106,562	140·5	83·0	6¼	3 18 5
Commercial Union	50,392,964	1,303,303	2·6	89,210	1,392,513	1,581,279	1,119,525	141·2	112·6	3⅞	3 16 8
Eagle Star	11,951,037	— 41,990	— 0·4	40,793	— 1,197[d]	438,014	320,470	136·7	117·4	5¼	4 8 11
Employers' Liability	25,569,204	129,161	0·5	55,816	184,977[e]	428,099	190,463	224·8	62·6	5¼	4 5 9
General Accident	41,880,241	447,899	1·1	11,988	459,887[f]	796,293	330,000	241·3	68·8	8¼	3 11 8
Guardian	11,125,882	324,981	2·9	41,472	366,453[g]	289,298	205,008	141·1	109·1	8¼	3 11 8
London Assurance	16,310,933	290,781	1·8	25,668	316,449	424,762	291,428	145·8	115·8	26½	3 15 10
London & Lancashire	27,798,324	516,401	1·9	24,332	540,733	761,787	650,526	117·1	107·0	8¼	3 18 9
North British & Mercantile	23,019,938	271,159	1·2	49,881	321,040[h]	907,413	605,000	150·0	134·1	14	3 11 8
Northern	22,434,901	351,794	1·6	31,254	383,048[i]	432,216	239,060[p]	180·8	103·1	28½	3 10 2
Norwich Union	14,634,800	356,872	2·4	...	356,872[k]	289,922	193,600	149·8	89·2	(q)	...
Phoenix	31,278,602	55,733	0·2	55,000	110,733	838,430	469,857	178·5	74·4	21½	3 18 2
Prudential (o)	11,931,552	226,056	1·9	19,559	245,615[l]	282,988	166,667	169·8	85·0	"B" 5⅛	4 5 8
Royal (including Liverpool & London & Globe)	75,485,040	914,284	1·2	80,000	994,284	2,044,953	1,693,979	120·7	100·3	14½	3 14 0
Royal Exchange	25,613,912	404,220	1·6	82,127	486,347	590,830	260,426	226·9	86·2	7⅜	3 5 7
Scottish Union & National	8,640,954	11,159	0·1	24,122	35,281[m]	241,588	132,000	183·0	126·1	9¼	4 4 9
Sun	15,365,464	789,494	5·1	...	789,494	324,516	330,000	98·3	106·4	6¼	3 16 2
Yorkshire	13,505,859	42,250	0·3	23,378	65,628[n]	278,993	132,003	211·4	84·1	24	3 6 8
Total 20 Offices	**456,715,677**	**7,226,097**	**1·6**	**772,418**	**7,998,515**	**11,815,826**	**8,080,054**	**146·2**	**99·8**		

* Excluding life, annuity and capital redemption business. † "Reserves" include share capital, all free reserves and the underwriting and additional reserves maintained for fire, accident and marine insurance. ‡ After debenture interest and preference dividends. (a) Before £400,000 to general reserve. (b) Before £444,464 to general, investment and contingencies reserves. (c) Before £500,000 to contingencies and taxation reserve. (d) Before £16,150 to subsidiaries' reserves. (e) Before £250,000 to general reserve. (f) Before £321,543 to general reserve. (g) Before £400,000 to general reserve. (h) Before £195,000 to general reserve; £1,031,250 transferred from profit and loss account to pay up uncalled capital on partly paid shares. (i) Before £400,000 to investment and contingency reserve. (k) Before £200,000 to general reserve. (l) Before £120,000 to investment reserve and branch contingency fund. (m) Before £230,532 to general and contingencies reserves. (n) Before £125,000 to investment reserve. (o) General branch only, i.e., all business other than ordinary and industrial life; three-quarters of the profits belong to the "B" shareholders and one-quarter to the "A" shareholders. (p) Including £18,150 participating element of participating preference dividend. (q) Shares held by Norwich Union Life Insurance Society.

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entrenched in insurance practice and investment income in the same period rose from £9.4 million to £11.8 million (25.2 per cent). Therefore the loosening of the pursestrings in the shareholder's favour (putting into reverse the over-niggardly policy that was previously enjoined on the companies) that has already taken place has done no more than absorb the increase in interest earnings during 1950-53 period.

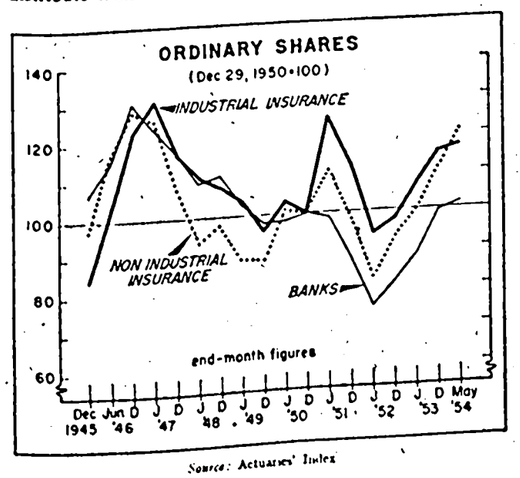
The yardstick of comparing net interest earnings on the general (or shareholders') funds with the net dividend pay-

TABLE VI.—PREMIUMS, PROFITS, INTEREST AND DIVIDENDS—20 OFFICES.

Year	Total Premium Income*	Underwriting Profits*: Amount	Underwriting Profits*: Percentage of Premiums	Interest Earnings and Dividends: Net Interest Earnings	Net Ordinary Dividends	Ratio Interest Earnings to Ordinary Divs.
	£	£	%	£	£	%
1949 ..	302,523,478	7,955,169	2·6	8,039,569	5,664,960	141·9
1950 ..	347,359,551	7,254,988	2·1	9,434,780	6,328,845	149·1
1951 ..	399,404,630	2,975,401	0·7	9,913,676	6,495,495	152·6
1952 ..	441,391,253	5,451,412	1·2	10,621,883	7,309,827	145·3
1953 ..	456,715,677	7,226,097	1·6	11,815,826	8,080,054	146·2

* Excluding life, annuity and capital redemption business.

ment is undoubtedly a useful one for that is the yardstick commonly employed by insurance boards themselves. But it ought to be applied with somewhat greater discrimination than a rigid rule. Obviously it is a source of strength to an insurance company to be able to plough back into free reserves, year in and year out, the whole of its net underwriting profits, together with some part of its non-life interest income. But the fact is that certain companies are able to show underwriting profits that run consistently higher than those of others. Such companies can, and do, distribute their interest earnings practically up to the hilt



Source: Actuaries' Index

but are still able, as a result of their exceptional underwriting, to make additions to their reserves that compare favourably with the retained earnings of other companies.

The amount ploughed back has been maintained; it was £11.7 million in 1953 and compared with £11.2 million in 1950. But normal expansion, encouraged by inflation,

has enormously increased the volume of general underwriting business in those four years; premium income rose by £109 million to £457 million. A stable profit retention of around £11 million does not seem excessive in relation to the current volume of business. It would not be surprising if some companies were inclined to wait for an increase in underwriting surpluses before they considered the next phase of raising dividends. There are in fact fair chances of some growth in underwriting profits. Fire insurance should yield some increase; last year fire accounts had to meet heavy claims from fire and windstorms in the United States and from fire and flood at home. For motor insurance, too, the prospect is at long last rather better. After several years in the red, motor accounts are now breaking a little better than even—though no insurance man would found big hopes on a class of business traditionally as disappointing as motor insurance. The outlook for marine insurance remains gloomy. But over the whole field, underwriting profits this year might easily turn out a little higher than those of 1953. The other main item in the insurance shareholder's calculations is the prospect for

TABLE VII.—DIVIDENDS AND THEIR COVER

Company	1951: Gross Dividend	1951: Cover*	1952: Gross Dividend	1952: Cover*	1953: Gross Dividend	1953: Cover*
	per share	per cent	per share	per cent	per share	per cent
Alliance	22s. 0d.	105·3	22s. 0d.	103·9	24s. 0d.	101·2
Atlas	12s. 9d.	148·9	15s. 0d.	137·4	15s. 0d.	136·2
Caledonian	3s. 6d.	163·8	4s. 6d.	147·0	5s. 0d.	140·5
Commercial Union	9s. 0d.	146·8	10s. 0d.	141·9	11s. 6d.	141·2
Eagle Star	4s. 0d.	151·6	4s. 6d.	134·4	5s. 0d.	136·7
Employers' Liability	4s. 0d.	237·1	4s. 6d.	225·7	4s. 6d.	224·8
General Accident	5s. 0d.	240·2	6s. 0d.	200·6	6s. 0d.	241·3
Guardian	4s. 6d.	115·4	5s. 0d.	141·7	6s. 0d.	141·1
London Assurance	16s. 3d.	159·5	18s. 9d.	146·1	20s. 0d.	145·8
London & Lancashire	5s. 6d.	159·7	6s. 0d.	119·3	6s. 6d.	117·1
North British & Mercantile	8s. 6d.	157·1	10s. 0d.	143·3	10s. 0d.	150·0
Northern	17s. 0d.	149·8	18s. 0d	146·2	20s. 0d	140·8
Norwich Union†	£7	138·3	£7	150·2	£8	149·8
Phoenix	15s. 0d.	176·9	17s. 0d.	158·6	17s. 0d.	178·5
Prudential 'B' Shares	1s. 9d. §	174·1	2s. 0d. §	177·1	2s. 6d. §	169·8
Royal (incl. Liverpool & London & Globe)	9s. 6d. ‡	128·7	10s. 0d. ‡	131·2	11s. 0d. ‡	130·7
Royal Exchange	9s. 0d.	196·0	10s. 0d.	196·8	10s. 0d.	196·9
Scottish Union & Nat. 'A'	6s. 0d.	158·7	7s. 0d.	163·9	8s. 0d.	183·0
Sun	4s. 8d.	96·7	5s. 0d.	99·4	5s. 0d.	98·3
Yorkshire per 10s. paid	6s. 3d.	267·5	8s. 0d.	193·5	8s. 0d.	211·4
Average	...	152·6	...	145·3	...	146·2

* Proportion of net dividend covered by net interest earnings (excluding life annuity and capital redemption business). † Shares held by Norwich Union Life Insurance Society. ‡ On Royal shares. § Net.

interest earnings on the general funds. It seems hardly likely that interest earnings can yield any great increase in 1954. Taking underwriting profits and interest yields together, the companies would probably do quite well if they managed to maintain in 1954 the rate of earnings that they achieved in 1953.

But it is not merely increased dividends that have lately excited the insurance share market. Substantial readjustments of capital have been made by a number of insurance companies this year; the steadily broadening basis of the business has made such readjustments desirable, for there had been little change in insurance capital for two decades, apart from a tendency towards extinguishing uncalled share liabilities. The Employer's Liability Assurance has raised over £2 million of new money (by the issue of 460,910 ordinary shares of £1 at 90s.) and has capitalised more than £1 million from reserves, making the existing shares fully paid. The General Accident has raised £1½

million by an issue of 250,000 ordinary shares of £1 at 120s. and has also paid up the uncalled liability on its existing ordinary shares by a transfer of £750,000. The Royal Exchange Assurance, perhaps more surprisingly than the others, has raised nearly £4 million of new money and has made a capitalisation issue of one new fully paid share for each original share held. In addition, the Britannic and Commercial Union have subdivided their £1 shares into 5s. units, whilst the Atlas has capitalised £550,000 and simultaneously split its £5 units into £1 units 10s. paid.

The sparkle that has come into insurance shares this year as capital structures were enlarged and dividends increased is put under the spectroscope in the Table VII which relates the dividend increases of recent years with the cover provided for each year's net payment by the net non-life interest earnings. The calculations are not perfect, partly because companies follow different practices about charging profits tax and EPL on interest income. Insurance share yields are powerfully—but not exclusively—influenced by the extent of the cover for the current dividend that is provided by net interest earnings.

The investor may find interest in comparing the final column of Table VII with column 11 of Table V. He may decide that it will be harder in 1954 to pick a company which will pay more than it was a year ago. Such a view need not exclude the obvious possibility that each individual company will behave according to the type of business, it handles and according to the leanings of its directors. Nor should it exclude the continuing evidence that insurance is still a growing industry. Much of the great rise in premium income of recent years has accrued through group pension schemes, in the eventual profits of which the shareholders have expectations. But they should not be exaggerated. Although no actuary willingly runs his head into a loss, the profitability of pension business rests on assumptions about the long-term rate of interest that have yet to be proved, and it is necessary to think in terms of a generation before true profits on this side of the business will flow in considerable volume. The shareholders' proportion of the profits from life assurance is small and it creeps through late and in low gear. But it is not negligible and it should expand.

Marine Insurance

Aggregate marine premium income of the twenty leading insurance companies fell last year to £40.9 million, compared with £46.2 million in 1952 and £44.4 million in 1951. These figures cover only part of the marine underwriting conducted in London. Half of the premiums handled by Lloyd's underwriters come from marine business; unfortunately the latest year's returns from Lloyd's appear too late for inclusion in this survey. So far as the companies are concerned, the decline in premium income last year resulted from lower commodity prices and smaller insured values for cargo; a fall in the value of cargo vessels following the break in shipping freight rates; and by the increased pressure of competition in a market whose capacity was—and still is—at least adequate for the volume of available business.

Hull insurance claims may be presented a considerable time after the end of the year to which the premium related. If repair costs rise in the meantime, the marine underwriter is carrying the risk not merely of shipping hazard but also of inflated costs. This persistent increase in ship repair costs shows no sign of coming to an end and this country shows up particularly badly compared with the cost of repairs in many continental ports. The outlook both for hull and cargo insurance business does not suggest any immediate improvement.

Transfers of profit from the marine account are by long-standing practice made after a time lag of three years, during which the account is kept open. The transfers of the twenty leading companies to their 1953 profit and loss accounts thus show the outcome of marine underwriting indicated in 1951 and not the experience of 1952 and 1953. Such transfers totalled £3.0 million in 1953 compared with £3.8 million in 1952 and £4.4 million in 1951. A continuation for some time ahead of the falling trend of marine insurance profits seems inescapable. Marine insurance funds of the twenty offices at the end of 1953 represented 163 per cent of that year's premium income, compared with 145 per cent at the end of each of the two previous years.

Industrial Life Assurance

The ten leading offices included in the table accounted in 1952 for over 90 per cent of all industrial life assurance business done in the United Kingdom. Last year they reported new sums assured totalling £249.4 million, compared with £242.0 million in 1952 and £231.3 million in 1951. The industrial assurance funds of the 14 insurance companies and 115 friendly societies that transact this business amounted to £919.0 million at the end of 1952, friendly societies' funds totalled £172.5 million, out of which, as Table shows, the Liverpool Victoria and Royal

TABLE VIII.—INDUSTRIAL LIFE ASSURANCE 1952 53

	Fund at End of Year		Premium Income		Net New Sums Assured		Expense Ratio	
	1952	1953	1952	1953	1952	1953	1952	1953
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	Per cent.	Per cent.
Britannic	43·3	46·3	7·2	7·4	10·9	10·9	26·7	26·7
Co-operative	69·2	75·6	17·2	18·5	41·4	43·6	28·5	28·1
Liverp'l Victoria	89·4	95·4	13·6	14·1	28·5	29·0	33·9	32·6
London & Man.	19·2	21·0	3·1	3·3	5·0	5·8	28·9	28·7
Pearl	101·3	106·2	15·2	15·8	27·2	29·4	26·2	26·5
Prudential	352·3	367·2	43·0	44·4	78·4	78·1	29·5	29·0
Refuge	55·2	57·9	9·3	9·5	14·8	16·2	28·7	27·6a
Royal Liver	50·2	53·0	7·8	8·0	16·3	16·4	34·3	31·4
Rl. Lon. Mutual	65·2	69·6	8·7	9·0	16·0	16·5	31·2	34·4
Wesleyan & Gen.	14·2	14·8	2·2	2·2	3·5	3·5	35·4	33·7
Total 10 Offices	859·5	906·0	127·3	132·2	242·0	249·4	30·6b	30·2b

(a) 28·0 per cent excl. non-recurring credit. (b) Average expense ratio.

Liver together accounted for £139.7 million. At the end of last year the total industrial life funds amounted to about £950 million.

Among the offices transacting industrial life assurance, the Prudential has granted its industrial branch policyholders contractual rights; such policyholders now receive the same proportion of the profits of the industrial branch as the ordinary branch participating policyholders receive of the profits of their branch. The other offices pay bonuses on an *ex gratia* basis. Last year there were some further increases in the rate of bonus declared.

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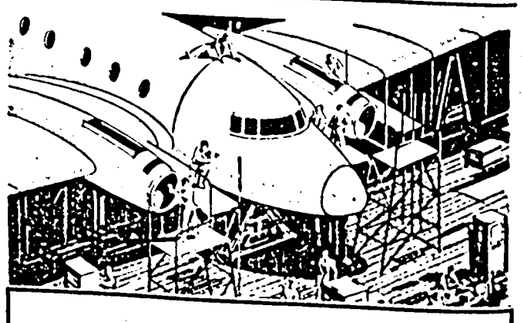
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O 14

TABLE IX.—FIRE AND ACCIDENT SUMMARY

	Fire								Accident and Miscellaneous							
	1950		1951		1952		1953		1950		1951		1952		1953	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	£000's		£000's		£000's		£000's		£000's		£000's		£000's		£000's	
Claims	66,397	43·0	73,173	42·0	79,882	43·3	85,447	46·0	94,649	54·7	114,713	57·7	129,118	56·1	139,758	55·6
Commission	33,670	21·8	37,527	21·5	40,001	21·7	40,503	21·8	31,452	18·2	36,269	18·2	42,185	18·3	45,034	17·9
Expenses and overseas taxes	33,426	21·6	37,416	21·4	41,446	22·4	42,672	22·9	33,510	19·4	36,699	18·4	42,343	18·4	46,938	18·7
Increase in reserve for unexpired risk	8,280	5·4	8,657	5·0	4,527	2·5	694	0·4	8,995	5·2	10,666	5·4	12,991	5·6	8,593	3·4
Profit	15,983	10·3	17,664	10·1	18,724	10·1	16,600	8·9	7,812	4·5	533	0·3	3,747	1·6	10,918	4·4
Premiums	154,518	100·0	174,437	100·0	184,580	100·0	185,916	100·0	172,953	100·0	198,880	100·0	230,384	100·0	251,241	100·0

TABLE X.—EXPERIENCE OF 25 OFFICES

Company and Year	Fire Insurance—1952-53						Accident and Miscellaneous Insurance—1952-53					
	Premiums	Claims	Per cent of Premiums	Profit	Per cent of Premiums	Fund at end of year (a)	Premiums	Amount	Per cent of Premiums	Profit	Per cent of Premiums	Fund at end of year (a)
	£000's	£000's		£000's		£000's	£000's	£000's		£000's		£000's
Alliance 1952	5,526	2 018	36·5	912	16·5	5,960	4,973	2,352	47·3	408	8·2	2,972
Alliance 1953	5,876	2,045	34·8	982	16·7	6,200	5,352	2,482	46·4	598	11·2	3,194
Atlas 1952	6,050	2,754	45·6	648	10·7	3,420	2,473	1,325	53·5	44	1·8	989
Atlas 1953	5,833	2,760	47·3	587	10·1	3,333	2,576	1,389	53·9	197	7·6	1,030
Caledonian 1952	3,182	1,537	48·3	345	10·8	2,198	3,141	1,653	52·6	18	0·6	1,256
Caledonian 1953	3,187	1,605	50·3	219	6·9	2,150	3,510	1,995	56·8	34	1·0	1,404
Century 1952	2,649	1,230	46·4	259	9·8	1,869	1,460	770	52·8	— 21	— 1·4	1,172
Century 1953	2,648	1,256	47·4	128	4·8	1,887	1,585	789	49·8	64	4·0	1,244
Commercial Union 1952	21,771	9,524	43·7	2,713	12·5	18,815	23,765	13,463	56·7	357	1·5	15,352
Commercial Union 1953	22,055	10,115	45·9	2,360	10·7	19,488	25,960	14,033	54·1	1,777	6·8	17,007
Co-operative 1952	1,410	600	42·6	292	20·7	1,003	4,229	2,601	61·5	204	4·8	2,824
Co-operative 1953	1,460	632	43·3	334	22·9	1,083	4,743	2,808	59·2	329	6·9	3,168
Eagle Star 1952	3,256	1,384	42·5	350	10·8	1,402	6,425	3,489	54·3	25	0·4	2,556
Eagle Star 1953	3,322	1,485	44·7	396	11·9	1,554	6,853	3,665	53·5	253	3·7	2,841
Employers' Liability 1952	2,250	932	41·5	126	5·6	1,226	20,933	12,551	60·0	240	1·1	7,625
Employers' Liability 1953	2,591	1,092	42·1	139	5·4	1,476	22,472	13,158	58·6	809	3·6	8,113
General Accident 1952	3,225	1,097	34·0	673	20·9	3,070	33,235	18,824	56·6	689	2·1	16,074
General Accident 1953	3,637	1,368	37·6	539	14·8	3,375	37,481	20,599	55·0	1,245	3·3	18,192
Guardian 1952	4,345	1,829	42·1	495	11·4	2,172	4,636	2,649	57·0	200	4·3	2,086
Guardian 1953	4,487	1,911	42·6	675	15·0	2,243	5,227	2,644	50·6	557	10·7	2,352
Legal & General 1952	2,076	826	39·8	129	6·2	1,129	1,275	547	42·9	— 24	— 1·9	1,174
Legal & General 1953	2,048	771	37·6	202	9·9	1,199	1,380	644	46·7	103	7·4	9048
Liverpool & London & Globe 1952	12,140	5,101	42·0	1,157	9·5	7,856	14,727	8,718	59·2	28	0·2	7,141
Liverpool & London & Globe 1953	11,932	5,537	46·4	1,048	8·8	7,773	15,147	9,448	62·4	171	1·1	7,309
London Assurance 1952	7,797	3,396	43·6	538	6·9	3,899	4,453	2,694	60·5	105	2·4	1,781
London Assurance 1953	7,871	3,633	46·1	519	6·6	3,936	4,898	2,929	59·8	255	5·2	1,959
London & Lancashire 1952	11,401	4,940	43·3	1,016	8·9	4,561	10,956	6,486	59·2	— 184	— 1·7	4,382
London & Lancashire 1953	11,185	5,337	47·7	786	7·0	4,474	12,255	7,018	57·3	157	1·3	4,902
North British & Mercantile 1952	16,047	7,315	45·6	1,313	8·2	10,551	4,748	2,392	50·4	291	6·1	1,967
North British & Mercantile 1953	16,240	7,812	48·1	963	5·9	10,628	5,077	2,576	50·7	366	7·2	2,098
Northern 1952	8,745	3,963	45·3	727	8·3	4,373	6,971	3,721	53·4	— 153	— 2·2	3,486
Northern 1953	8,824	4,137	46·9	686	7·8	4,412	7,776	4,198	54·0	99	1·3	3,888
Norwich Union 1952	6,605	2,797	42·3	843	12·8	3,418	6,568	3,500	53·3	85	1·3	2,823
Norwich Union 1953	6,450	2,771	43·0	743	11·5	3,551	7,013	3,667	52·3	551	7·9	3,053
Pearl 1952	4,721	2,158	45·7	127	2·7	3,444	1,964	1,087	55·4	— 6	— 0·3	1,310
Pearl 1953	5,354	2,455	45·9	45	0·8	3,178	2,083	1,099	52·8	132	6·3	1,451
Phoenix 1952	11,231	4,701	41·9	900	8·0	5,616	16,578	9,044	54·5	111	0·7	6,632
Phoenix 1953	11,296	5,267	46·6	920	8·2	5,648	17,683	9,944	56·2	491	2·8	7,074
Prudential 1952	4,568	2,049	44·9	361	7·9	2,129	5,950	3,050	51·2	244	4·1	3,131
Prudential 1953	4,374	2,162	49·4	416	9·5	2,075	7,182	3,694	51·4	303	4·2	3,648
Royal 1952	20,148	8,824	43·8	2,018	10·0	14,059	22,286	12,897	57·9	201	0·9	12,414
Royal 1953	19,277	9,332	48·4	1,489	7·7	13,711	24,350	14,495	59·5	523	2·2	13,240
Royal Exchange 1952	9,300	3,939	42·4	896	9·6	4,650	13,375	7,018	52·5	559	4·2	5,350
Royal Exchange 1953	9,541	4,117	43·2	1,179	12·3	4,771	14,188	7,471	52·6	1,106	7·8	5,675
Scottish Union & National 1952	5,290	2,425	45·9	458	8·7	4,395	1,591	921	57·9	— 55	— 3·5	798
Scottish Union & National 1953	5,500	2,777	50·5	118	2·2	4,500	1,742	947	54·3	69	4·0	873
Sun 1952	6,762	2,897	42·9	865	12·8	2,705	7,139	3,947	55·3	217	3·0	2,855
Sun 1953	6,759	3,153	46·7	648	9·6	2,703	7,315	3,912	53·5	537	7·3	2,926
Yorkshire 1952	4,085	1,646	40·3	563	13·8	2,569	6,533	3,521	53·9	164	2·6	2,799
Yorkshire 1953	4,169	1,917	46·0	479	11·5	2,671	7,393	4,154	56·2	192	2·6	3,151
Total 25 Offices 1952	184,580	79,882	43·3	18,724	10·1	116,223	230,384	129,118	56·1	3,747	1·6	110,959
Total 25 Offices 1953	185,916	85,447	46·0	16,600	8·9	118,285	251,241	139,758	55·6	10,918	4·4	120,696

(a) Reserves for unexpired risks, estimated liability under outstanding accident and disability claims and additional departmental reserves (where maintained). (b) Estimated liability under outstanding accident and disability claims now included in claims item in revenue account.

TABLE XI.—LIFE VALUATIONS (£'000)

Company	Year of Valuation	Brought Forward (1)	Trading Profit (2)	Investment Profits (3)	Total Surplus (4)	To Policyholders (5)	To Shareholders (6)	To Staff Pensions (7)	Investment Reserves etc. (8)	Carried Forward (9)	Bonus Declared per cent (10)
Annual Valuations											
Britannic :—											
(a) Ordinary Branch	1952	289	940	...	1,229	709	79	20	100	321	30/-s
	1953	321	1,016	...	1,337	782	87	20	100	348	32/-s
(b) Industrial Branch	1952	682	1,662	...	2,344	860	200	180	300	804	
	1953	804	1,825	...	2,629	960	200	180	300	989	
Co-operative :—											
(a) Ordinary Branch	1952	176	1,478	3	1,657	1,288					
	1953	219	1,519	3	1,741	1,379	...	...	150	219	32/-s
(b) Industrial Branch	1952	176	2,045	7	2,228	1,202	...	...	100	262	32/-s
	1953	226	1,863	8	2,097	1,306	...	...	800	226	
							...	...	500	291	
London Life*	1952	194	474	...	668	417	...	14	63	174	36/-c(1)
	1953	174	482	120	776	493	...	15	69	199	37/6c(1)
London & Manchester :—											
(a) Ordinary Branch*	1952	524	618	...	1,142	456	20	20	...	646	28/-s
	1953	646	551b	...	1,197b	898	45	20	...	238	30/-s(2)
(b) Industrial Branch*	1952	402	595	...	997	297	103	60	...	537	...
	1953	537	368b	...	905b	473	90	60	...	282	...
Pearl :—											
(a) Ordinary Branch	1952	981	2,159	...	3,140	1,593	177	116	280	974	35/-s(3)
	1953	974	2,261	...	3,235	1,722	191	143	220	959	36/-s(3)
(b) Industrial Branch	1952	822	2,849	...	3,671	1,607	550	479	200	835	
	1953	835	2,830	...	3,665	1,631	550	576	200	708	
Provident Association of London	1952	620	247	...	867	81	32	...	158	596	25/-s
	1953	596	290	3	889	100	26	...	131	632	30/-s
Prudential :—											
(a) Ordinary Branch†	1952	498	8,077	...	8,575	5,719	594	...	1,670c	592	34/-s(4)
	1953	592	10,105	...	10,697	6,760	651	...	2,580	706	38/-s(4)
(b) Industrial Branch†	1952	1,015	11,129	...	12,144	7,596	789	...	2,650c	1,109	
	1953	1,109	12,035	...	13,144	8,384	807	...	2,780	1,173	
Refuge :—											
(a) Ordinary Branch†	1952	1,402	2,256d	...	3,658d	1,200	100	143	1,000	1,215	26/-s
	1953	1,215	1,763	...	2,978	2,322	200	147	100	209	30/-s
(b) Industrial Branch	1952	602	2,132	...	2,734	550	80	582	675	847	
	1953	847	2,346	...	3,193	1,018	120	589	600	866	
Salvation Army :—											
(a) Ordinary Branch	1952	30	146	...	176	100	15	...	36	25	26/-s
	1953	25	132	...	157	116	16	...	...	25	30/-s
(b) Industrial Branch	1952	26	200	...	226	49	60	...	80	27	
	1953	27	214	...	241	99	60	10	35	37	...
Wesleyan & General :—								10			...
(a) Ordinary Branch†	1952	62	337	4	403	234	...	19	88d	62	28/-s
	1953	62	377	2	441	262	...	19	83	77	30/-s
(b) Industrial Branch	1952	62	268	5	335	50	...	91e	134	60	
	1953	60	201	3	264	70	...	91e	32	71	
Triennial Valuations											
Beacon	1948-1950	23	242	...	265	190	18	...	7	50	23/-s
	1951-1953	50	393	...	443	247	28	...	104	64	32/-s
Caledonian	1948-1950	71	439	...	510	328	36	...	57	89	30/-s(5)
	1951-1953	89	554	...	643	454	50	...	...	139	40/-s(5)
United Kingdom Provident	1948-1950	281	2,104	...	2,385	1,808	...	56	...	521	35/-c(6)
	1951-1953	521	2,828	...	3,349	2,118	...	53	500	678	38/-c(6)
Quinquennial Valuations											
Alliance	1944-1948	305	2,277	...	2,582	1,670	186	...	250	476	30/-s
	1949-1953	476	2,379	93	2,948	2,136	237	...	...	575	36/-s
Liverpool & London & Globe	1944-1948	919	1,563	...	2,482	969	125	...	436	952	30/-s
	1949-1953	952	2,013	...	2,965	1,354	175	...	500	936	38/-s
Scottish Provident	1944-1948	493	1,147b	...	1,640b	1,175		150	...	315	30/-c(5)
	1949-1953	315	1,690	...	2,005	1,409	...	175	...	421	38/-c(5)
Scottish Widows'	1944-1948	443	4,098	...	4,541	3,805	...	410	...	326	34/-c
	1949-1953	326	5,677b	...	6,003b	5,147	...	98	50	708	40/-c
TOTALS :—											
Annual Valuations											
(a) **Ordinary Branch**	1952	4,776	16,732d	7	21,515d	11,797	1,017	332	3,545	4,824	
	1953	4,824	18,496b	128	23,448b	14,836	1,216	364	3,383	3,651	
(b) **Industrial Branch**	1952	3,787	20,880	12	24,679	12,211	1,782	1,402	4,839	4,445	
	1953	4,445	21,682b	11	26,138b	13,941	1,827	1,506	4,447	4,417	
Triennial Valuations	1948-1950	375	2,785	...	3,160	2,326					
	1951-1953	660	3,775	...	4,435	2,819	54	56	64	660	
Quinquennial Valuations	1944-1948	2,160	9,085b	...	11,245b	7,619	78	53	601	881	
	1949-1953	2,069	11,759b	93	13,921b	10,046	311	560	686	2,069	
							412	273	550	2,660	

* Valuation basis changed 1953. † Valuation basis changed 1952. (a) Including an unspecified sum released from actuarial reserves. (b) Excluding an unspecified sum applied to strengthen actuarial reserves. (c) In addition £9½ million in the ordinary branch and £9½ million in the industrial branch were released from actuarial reserves and transferred to investment reserves. (d) In addition £128,000 was released from actuarial reserves and transferred to investment reserves. (e) Including £30,000 outdoor staff bonus. (1) In an alternative class bonuses take the form of reductions in premiums. (2) Plus 28/-s for 1951 (bonuses for that year paid only on death, and on maturity of endowment assurances). (3) On United Kingdom policies; different rates apply overseas. (4) Rate applicable to endowment assurances; a higher rate of bonus is paid on whole life assurances. (5) Rate applicable to policies in the general section and to endowment assurances for original terms of less than 25 years in the temperance section; a higher rate of bonus is paid on other assurances in the temperance section. (6) Rate applicable to endowment assurances; whole life assurances (on which premium rates are low) participate under a tontine system. (7) Rate applicable to endowment assurances with reference to the sum assured only. c=compound bonus, calculated upon the sum assured and existing bonuses. s=simple bonus calculated with reference to the sum assured and existing bonuses.

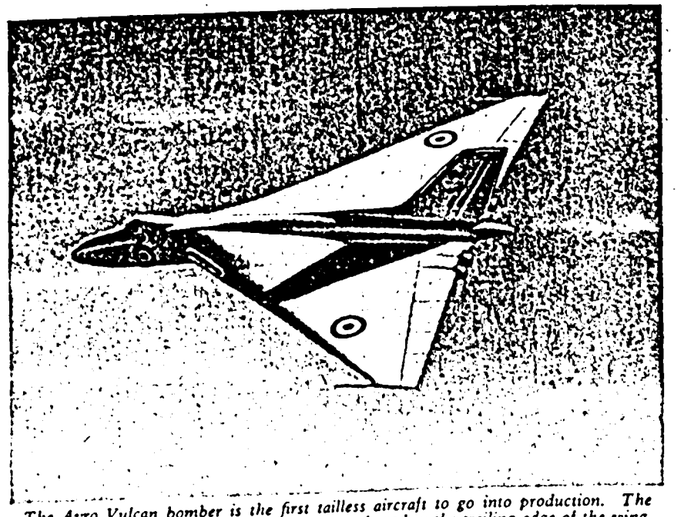
Living in the Air

Without the Prince

THE brightest stars of the aircraft industry are, alas, also the most temperamental. A prolonged attack of stage fright has repeatedly postponed the entrance of the new fighters, the Swifts and the Hunters, into squadron service with the RAF and the new *prima ballerina*, the supersonic P.1 fighter, has not turned up this week at rehearsals. The Comet is only now showing signs of recovery after its attack of nervous exhaustion in the middle of what looked like a long and successful run. There has been some booing from the gallery and the audience is beginning to fidget.

The show that the industry has put on at Farnborough during this week is dazzling enough to placate the most restless audience, but it lasts only for one week every year. When the noise has died away, and the critics have got their breath back, they will find that the show has not answered their questions so much as drowned them. There is a growing tendency among the informed to dismiss Farnborough as a public spectacle. It could hardly be otherwise, on an occasion when the élite of the industry's pilots are commissioned to demonstrate the cream of its products; but to imagine that this is the sum total of the show is to mistake the shadow for the substance. Five thousand visitors from abroad do not make the journey to this country just to watch clever flying; they could stay at home and see it in far greater comfort in a cinema far from Farnborough's spartan amenities. The annual Farnborough display is a yardstick for the rate of progress being made in the aircraft industry, not in production but in research and development.

The show, indeed, is both a shop-window and an end-of-term report. What visitors have seen this year is first, an official refusal to allow the English Electric P.1 fighter to take part in the display. This decision is a measure of the complexity reached by a modern fighter—the P.1 is the slave of its neurotic mechanisms and it is not considered any longer advisable to let such a machine, in its first weeks of development, go through the ordeal of a public exhibition. Secondly, they saw the antithesis of the P.1, the prototype of the Folland Gnat. This prototype, the Midge, is flying with a stop-gap engine until the Gnat's scheduled power-plant is delivered next year. Then the aircraft will be supersonic in level flight—as the P.1 is today—although its top speed may not be as impressive as that of the bigger, heavier, more powerful machine.



The Avro Vulcan bomber is the first tailless aircraft to go into production. The controls normally carried on the tail are transferred to the trailing edge of the wing.

These two fighters have a link; the designer of the P.1, Mr F. W. Page, was trained at English Electric by Mr W. E. Petter, designer of the Gnat. Mr Petter, while he was at Preston, designed the Canberra bomber, and did some of the preliminary groundwork for the P.1. The future of the Gnat as a light fighter is in the balance; since its first flight last month it has given evidence of great manœuvrability, and what is not so usual these days, the

sturdiness, simplicity and lack of temperament that the designer had promised but that few people thought he would achieve.

The third new aircraft was the Comet III, even more elegantly proportioned than its predecessors, and flying free from the cloud of black doubts that have hung over its future between the grounding of the Comet I this spring and the Minister of Supply's encouraging if inexplicit statement made last week-end. This year, when there are few new aircraft on show, there are numbers of machines serving as flying test beds for new engines. Engine development and testing along these lines is the first step towards the evolution of a fresh generation of aircraft. Another step is the construction of experimental machines, usually scale models for new ideas. At Farnborough this year was the massive Supermarine 252—as highly powered as the P.1—from which the Navy's high-speed fighter will eventually evolve. There was the Short Sherpa with its "aero-isoclinic" wing (see the glossary "Vocabulary of Speed"). There was Fairey's stumpy delta that has formed part of the company's research programme on vertical take-off. Many will regret that Rolls-Royce's vertical take-off apparatus, a kind of flying sulky harnessed to two Nene engines, could not also be shown.

Responsibility for Delay

This is the established Farnborough pattern. First come the new engines and the experimental aircraft, then the prototypes and finally the production versions and subsequent refinements of them. This year, for example, Gloster Aircraft were able to put five delta-winged Javelins in the air at once, proof that production of a complex and costly aircraft is getting under way. The display provides certain concrete and unassailable milestones against which to measure progress. During the past years, for example, it has become increasingly plain that something was wrong with fighter deliveries as planned in the 1950-51 rearmament programme. Canberra bombers had come into service on schedule; Viscounts and Comets were delivered to the airlines and went into service on time, but the new fighters, the Swifts and Hunters ordered early in 1951 and evolved each from a long line of prototypes, are still not in service, and their record raises fears that the pattern may be repeated when the time comes to deliver the big bombers, the all-weather fighters, and the supersonic generation of machines already treading on their heels.

The responsibility for this sorry record is divided fairly equally between the Ministries involved and the aircraft industry. Some of the reasons for delay go right back to 1951, when the performance requirements for the two fighters were first drawn up. These were a great deal less stringent than the standard of performance that the same aircraft are expected to meet today. The power of the Avon engines in the fighters has risen from 6,500 pounds thrust to a figure in the region of 10,000 pounds. The standard 20 mm cannon have been replaced by heavier, faster firing, more powerful 30 mm cannon that were themselves only on the drawing board when the fighters were ordered. Radio, too, has changed, and combat altitudes and relative speeds. However much "stretch" may have been designed into the two machines—and the evidence suggests it was not too great—these changes in elements outside the designer's control mean modifications; modifications mean time, and time means delays. Some delay has therefore been inevitable. Its cause lies in the relaxation of international tension that gave the services time to reconsider their requirements in the light of new technical advances.

Other delays, however, have been due to defects in the aircraft themselves. Almost all aircraft go through the equivalent of teething troubles, but some are affected more seriously than others. The Swift has had a fairly unfortunate history of minor ailments, the Hunter has had to undergo one major modification and its equipment has needed adjustment. This is where the industry must bear a big share of the blame for delivery delays. It is difficult not to believe that the most serious troubles of the two fighters could not have been recognised far sooner than appears to have been the case. This is, after all, the purpose of test flying. Earlier and more vigorous action in the factories to correct defects in design could have cut months off the time it is going to take to get these machines into service. In the industry, there seems to have been a general, and understandably human, reluctance to acknowledge that the designs were capable of, or indeed needed, improvement and the faults in either aircraft do not seem to have come to light until they were handed over for testing by service representatives.

In some other countries' air forces, these troubles are allowed to work themselves out as the aircraft goes into service. The test flying that brings such defects to light is done in this country at research establishments owned by the Government, although the pilots are many of them service pilots. In other countries, this procedure is simply replaced by what amounts to test flying by certain selected squadrons. This gives the impression of rapid aircraft development and delivery, and it quickly accumulates a substantial volume of test flying experience on any given aircraft. The British procedure is slower, more methodical, and probably less costly in terms of service pilots. A trained test pilot is less likely to come to harm in a new and temperamental machine than an enthusiastic service flyer.

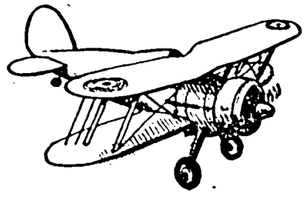
There is no reason to believe that delays occur at the production stage. Tooling and production seem as rapid here as in any other country; fresh modifications have in fact led to the piling up of half-finished aircraft and parts in factories while new drawings were prepared. The Hawker factories producing Hunters contain two or three hundred complete and half-complete machines waiting for their new dive brakes. The danger period lies rather in the interval after the first machine has flown and before it is cleared for service—in other words, during development flying.

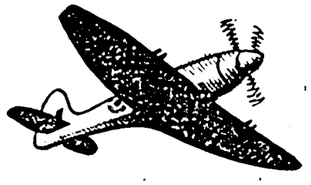
During this period, the test aircraft has to serve two masters; it belongs to the manufacturer that built and designed it, it is also the special concern of the Ministry of Supply. It is test flown by the civilian pilots employed by the manufacturer to see that it meets the design specifications. It is test flown by the service pilots at government experimental establishments to test its efficiency as a fighting machine, and it is at this second test stage, after the civil pilots have done their work, that most troubles come to light. A heavy responsibility therefore rests on the manufacturers; if their testing programmes are not sufficiently comprehensive, defects in performance that should have come to light earlier will go undetected until the aircraft has passed out of their hands and into those of the government's test establishments. This is what seems to have happened with both the Swift and the Hunter. Fortunately, there is no evidence yet to suggest that it will happen with other aircraft on order even though some, like the Javelin, have had considerable development difficulties. These were foreseen and the Javelin is running on schedule.

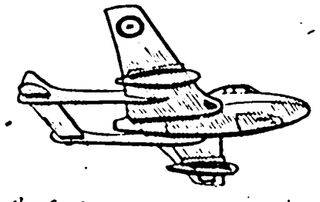
Speeding Deliveries

The Ministry of Supply has been attempting to streamline its machinery in order to cut down delays; the Minister has suggested the changes may have lopped 18 months off delivery. One of the first steps was to appoint, some months ago, a member of the Air Council, Air Chief Marshal Sir John Baker, to the Ministry of Supply and to make him controller of aircraft supplies. This means that the Air Council, when it asks for aircraft modifications, will be in no doubt about what those modifications will involve in terms of delivery delays and can weigh up whether the improvement in performance is really desirable or merely marginal. In the past they have not shown this awareness. Then, the Ministry has altered its ordering procedure so that where they once ordered two, they will now order a batch of prototypes. This should cut down delays that occur when one or both prototypes have been damaged and permit more test-flying hours to be piled up during a given period. Separate civil and military test flying will still be the rule, and the military tests do not begin until the manufacturer is satisfied with the machine. Complete telescoping of test flying is therefore not envisaged at this stage. The more complex the aircraft themselves become, the more serious, too, will be delays over which neither manufacturer nor ministry have control—delays from bad weather. A test pilot in a new aircraft must have clear weather over his airfield before he can risk take-off and landing in a new untried aircraft. In this country, all too often test flying is held up by cloud. The Americans, even the French, can test all or most of the year round, and this is beginning to pay them dividends. New aircraft have to be cajoled into the air like nervous fledgelings, and if British aircraft are moved, say to the Middle East for testing, then they are far from their factories and the constant adjustments that they need may be difficult to make.

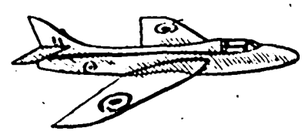
These factors are all more serious for fighters than they are for bombers, because in a single-seat machine, everything must be done by one man, while in a bomber there is a full crew to follow the instruments. Bomber progress is, on the whole, rather more encouraging; the first of the big machines, the Vickers Valiant, is coming off the production lines now and should be in service before the end of the year. But in criticising the industry for its delays in fighter deliveries, which are at least in part traceable to defects in design and during subsequent development and to some lack of appreciation of the growing role of equipment, as distinct from the airframe, in aircraft design, it is only fair to add that had the expected emergency developed in, say 1953, there would have been no delay in putting either fighter into service. What are today regarded as faults in design can mostly be traced to a compromise by the designer who was trying, in the red heat of rearmament, to put a workable fighting machine into the air as early as possible, knowing that later, improved marks could be evolved on the production line. The tension relaxed just when their machines were undergoing test. Where the designers and the manufacturers are open to criticism is in their reluctance to adjust their own outlook to this change in circumstances. However, the record of the past few years does raise a much broader question sometimes heard in the Air Ministry as well as the industry; that is, whether the Air Ministry's own performance requirements have always been properly drafted. Some of the most spectacularly successful aircraft have been rejected in their draft stages by the Air Ministry. The de Havilland Mosquito was one; the big de Havilland Gyron engine (still unseen) was another, and the Folland Gnat may be a third. Designers are sometimes—though admittedly not always—the best judges of what is aerodynamically possible.







A span of only 20 years separates the first from the last drawing on these pages and they illustrate the remarkable evolution, from bi-plane to missile, that has taken place during the period. The first aircraft, the bi-plane Gloster Gladiator, dates from 1934. The second, the Supermarine Spitfire (1936) was the finest fighting machine of its day. The struts have gone from the wings, the fixed undercarriage has become retractable, and the nose has been fined down to reduce drag. The aerodynamic cleanness that made it stand out in its generation became a cardinal point of design once the jet engine came into service. The de Havilland Vampire (1945) is still the work horse of many air forces, but its straight wings have given way to the swept surfaces of the Hawker Hunter, due to come into service this year. The delta-winged Gloster Javelin is the prototype of a new class of fighter; carrying a massive weight of search radar to track its target, armed with guided missiles to hound it down, yet still transsonic in spite of its size and weight. It is due for service in 1956. The last manned aircraft, the American Douglas X-3, is the forerunner of those designed to fly at Mach 3, but already the manned fighter is surrendering some of its duties to wingless, almost tailless, unmanned missiles. The American Nike, shown, as is only appropriate, climbing up the page, is in service with anti-aircraft batteries.







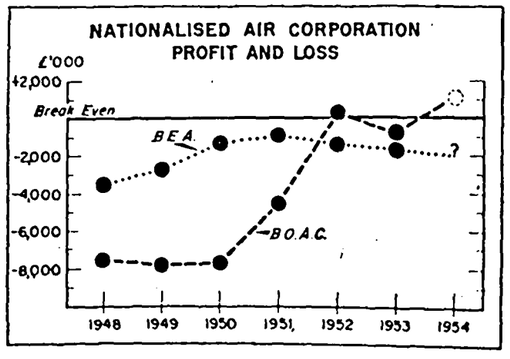


The Industry's Balance Sheet

How big a part does the air industry play in the national economy? If to the annual turnover of the manufacturers (about £230* million) and their component suppliers (£70 million) is added that of the airlines (£50 to 60 million) the airports and navigation services (£11 million), the research and development establishments (an unknown figure, perhaps £90 million out of a total vote of £140 million) and the flying requirements of the services (about £380 million for the RAF excluding aircraft purchases), then the annual expenditure on matters to do with the building, the development and the operating of aircraft begins to approach a figure of £800 million a year. Already it involves a total of more than 600,000 people, 2.5 per cent of the working population.

This is necessarily the roughest and most ready of calculations. The Air Ministry and the Navy (a third of whose manpower is engaged now on flying duties) expect between them to spend £180 million on aircraft during the current year. The actual value of the machines produced by the industry during the same period is likely to be smaller; it was intended to hold defence production in the industry steady at about £150 million. Then, most of the industry's research and development is financed by the Ministry of Supply and no details of this expenditure are ever revealed. What these estimates do serve to illustrate is the size of the contribution made to the air industry—air transport as well as aircraft manufacture—from the national exchequer.

The airlines are no longer costing the tax-payer £11 million annually in the form of subsidies as they did in 1948. Nevertheless, in its past financial year (the accounts for which have not yet been published) British European



Airways is said to have had an even bigger net loss than the £1.5 million of the previous year. A vital but indirect contribution is made to air transport by the navigation services and the airports provided by the Ministry of Transport. The Ministry is spending about £11 million this year; it will get back about £3 million in the form of rents and landing fees from the airlines and a fair proportion of this will be in foreign currencies. The net cost to the tax-payer of air transport might be said to be roughly £9 million a year, on the assumption that BEA's operating losses are by now beginning to shrink.

Aircraft exports, which last year reached £64 million (most of it military), are not likely to be any higher this year. Civil production, much of it for export, is not likely to reach much more than £15 million, most of which will be accounted for by 25 Viscounts, which will be Vickers' total for the year. Had Comet production not been stopped, the civil and the export total would have been substantially higher, and will in any case increase as Britannia production gets under way. A balance sheet drawn up on this basis might therefore show that the direct contribution of the air transport and manufacturing industry is at present in the order of about £140 million allowing for some element of the value of components, and should rise as aircraft exports and air traffic both expand. On the debit side, known Government expenditure is running at the rate of about £570 million during the current financial year, and a big unknown Government contribution is being made in the form of research grants and direct experimental work carried out by the Government. It may be thought unfair to set down the cost of running the RAF (£380 million), as distinct from providing its aircraft, in a balance sheet of this kind. If it is excluded, the estimated annual turnover works out at about £370 million to £420 million, depending on the size of the unknown research contributions. To this the air transport and manufacturing industry is contributing about a third. This is quite a creditable performance.

* It is calculated that the industry produces about £1,000 per worker. Present labour force, 231,000.

Working in the Air

The British airlines employ, in round figures, about 30,000 people and more than 26,000 of them work for the two nationalised air corporations. Yet the industry's labour problem, if it can be described as such, is centred on the 12 per cent who are engaged on flying duties. The difficulties can be summed up very briefly: pilots are difficult to recruit and stewardesses are difficult to retain. In a typical big airline like British Overseas Airways Corporation, employing nearly 17,000 people, about half are ground engineers and airport staff, working three shifts a day seven days a week; fewer than 2,000 are classed as air crew.

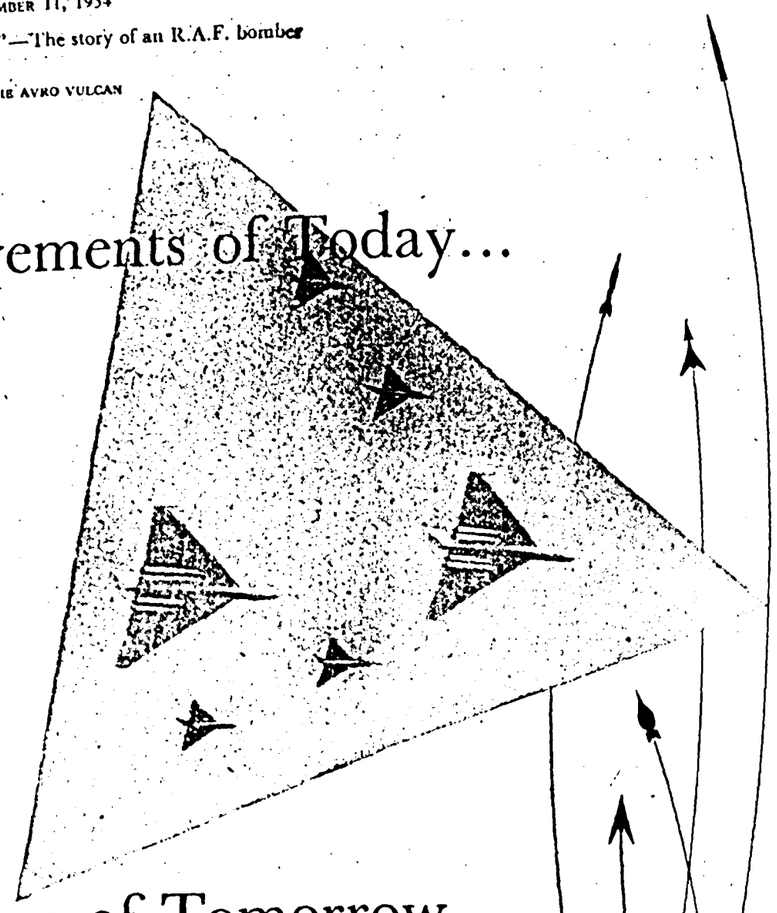
The pilots, who can earn up to £2,395 a year, plus overseas flight allowances, and whose starting pay in the rank of second officer is £955, are the most difficult to find because the airlines want men who can already fly. When civil aviation was a small industry, the airlines relied on *ad hoc* recruitment of ex-RAF men, and during the past few years they have been able to take their pick from the steady flow of ex-National Service pilots. Now this supply has been cut off at source because the RAF will no longer give flying instruction to recruits unless they will stay in the service. Moreover, the RAF is at pains to retain the type of pilot that the airlines would most like to have.

Unless a new pilot breeding ground is found the airlines face a crisis, and in the not too distant future at that. It has been estimated that the industry is going to need an annual intake of 70 to 100 pilots to keep its services manned. Most civil pilots retire between the ages of 45 and 50, although some are still flying in their middle fifties, and in the past four years BOAC's annual rate of turnover has been about 5 per cent. The airlines have sent a memorandum to the Minister of Transport suggesting that the only way to prevent the supply of civil pilots from coming to a

"BOMBS AWAY"—The story of an R.A.F. bomber

NO. 8 IN A SERIES ON THE AVRO VULCAN

Achievements of Today...



Dreams of Tomorrow

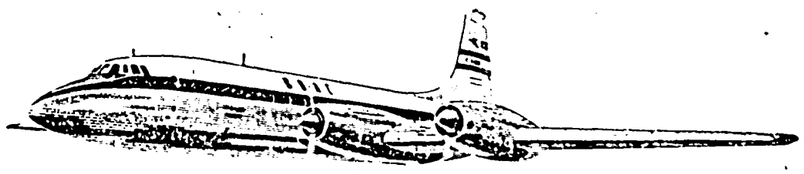
The first chapters of the Delta story have now been written. And what splendid reading they make! When the Avro VULCAN, world's first 4-jet delta bomber, made its debut in August 1952, it provided one of those rare milestones in aviation which mark a truly significant departure from conventional design. This bomber was a clear First. It was followed by other operational types in the U.K. and the U.S.A. and experimental designs in Sweden and France. As the story unfolds, this new shape so brilliantly pioneered by Avro, promises to be an arrowhead of aeronautical progress for years to come. With its remarkable performance and exceptional safety, the Delta, in developed form, will be used to provide sustained flight beyond the sound barrier. It may also prove best in those vast empty regions beyond the stratosphere where speed will be measured in thousands of miles per hour. But in the aircraft industry, dreams like this are realised only after years of intensive research and development. Avro know this and are providing their designers, technicians and production engineers with the most advanced equipment that modern science can offer. No wonder that in the half-century of their history, Avro have played no small part in man's conquest of the air – the AVRO 504, the Anson, the Lancaster, all immortals, and now the Vulcan! Tomorrow . . . ?

A. V. Roe & COMPANY LIMITED
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AVRO

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Pioneer . . . and World Leader in Aviation

TURBOPROPS



THE MEASURE OF efficiency of an airliner is its ability to make a profit when carrying fluctuating loads over varying distances. It is not competitive in the world market if it does so only under favourable route and load conditions. The economics depend to a very large extent on engine life, power, and above all, fuel consumption. Modern piston engines run for 1,000 hours between overhaul, give upwards of 3,000 hp and have a fuel consumption of ½ lb per hp per hour, which in a four-engined airliner means about 1 mpg. Turbines can be expected to supersede piston engines only when they are conclusively superior on all counts.

Turbines are of two sorts—the turbojet which delivers its power in the form of an exhaust jet, and the turboprop which uses its power to drive a propeller. Both types of turbine can match the piston engine in longevity and outclass it in power. It is on fuel consumption that the two types of turbine differ. The consumption of the turbojet is about twice that of a comparable piston engine. This would not matter so much if the turbojet could do double the amount of work by flying twice as fast as the piston engine, but in the event an increase in cruising speed beyond about 400 mph does not bring about a commensurate gain in average journey speed. High fuel consumption is therefore a very real difficulty to the turbojet. In order to reduce its fuel consumption as much as possible, the jet aircraft must fly high; it is, in practice, locked inflexibly to a narrow band of altitudes in the fringes of the stratosphere. And the high wind velocities at these great altitudes make close time-keeping on east-west routes difficult on a year round basis.

In the turboprop the fuel consumption problem is largely mastered because this type of turbine, unlike the turbojet, makes use of the highly efficient propeller. Moreover, the turboprop airliner can cruise economically at any altitude between 15,000 and 35,000 feet and thus, by flying at the appropriate level, can minimise the effect of headwinds and take advantage of tailwinds. This flexibility of operation is a feature of the Britannia airliner which, now in production, is powered with Bristol Proteus turboprop engines. The Proteus 755 develops 4,150 hp and is thus a good deal more powerful than current piston engines. Its consumption is some 10 per cent greater but this is more than offset by using a cheaper fuel.

A pointer to the importance of fuel consumption is that fuel costs amount to the largest single item of operational expenditure in the average airline. Thus the air transport industry's long-range vehicles capable of carrying big payloads at peak periods must also have a fuel consumption which enables them to carry economically the smaller payloads of the off-season. Piston engines do this now and airlines will buy the turbines that can lift bigger loads faster and cheaper. There is a vast world investment in the piston engine and it will only be worth staking the future on a new prime mover that is markedly superior all round. The true civil and military workhorse engine is the turboprop.

THE BRISTOL AEROPLANE COMPANY LIMITED

301 P

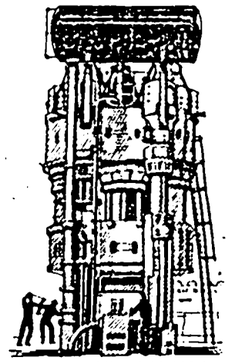
sudden stop is to provide a scholarship training scheme that would cover elementary flying instruction up to the minimum standard required of recruits by the airlines. To allow for wastage, about 400 boys would have to be given scholarships each year to provide for a minimum of 75 qualified pilots. The cost of the scheme—which needless to say was to be financed by the Exchequer—was put at £250,000 a year. Each pilot would therefore cost the country more than £2,500—a modest sum, perhaps, besides the £25,000 that it costs to train a bomber pilot.

The industry has no difficulty in recruiting stewardesses, rather the contrary. The girls start at £5 17s. 6d. a week and can go up to £7 17s. 6d.; in addition they get a £2 a week flying allowance. But it takes eight to ten weeks to train a stewardess, and the cost to BOAC is £200. The corporation loses on the average one trained girl a week out of a staff of about 250. In other words, merely to keep up its numbers, BOAC has to spend nearly £10,500 a year on the training of stewardesses alone. The corporation's total training bill works out at £1 million a year. At this rate of expenditure, it is not surprising that the airlines want the Government to undertake preliminary pilot training rather than to do it themselves. But this particular domestic crisis in the airlines does raise the broader problem of whether the air industry, meaning by that the airlines, the manufacturers and the flying sections of the services, will find the recruits that they need without some encouragement to private flying. Would the motor industry and the road haulage industry be as strong as they are today if private ownership of a motor-car had been squeezed out of existence as private flying has been by a cunning combination of controls and prohibitive cost? If young men could afford to fly privately, the supply of pilots, for the RAF and the airlines, might alter overnight.

Metals for the Designer

LAST week's disclosure by Henry Wiggin and Company of details of the performance of its gas turbine alloy Nimonic 95, and of its successful extrusion of hollow blade sections with axial air passages for turbine cooling, forms a fresh instalment in one of the most remarkable success serials in the history of engineering materials. From the first, aircraft development made peculiar demands for strength and lightness in materials; with the advent of the gas turbine those demands became extraordinarily stringent and relentlessly increasing. The Nimonic series of nickel-based high-temperature alloys has so far kept pace with these increasing demands, and these alloys are still used for the moving blades of every British gas turbine yet developed. Forecasts that designers would soon need to turn to metal-ceramic materials or molybdenum-rich alloys have not yet come true; partly because such materials as sintered titanium carbide have proved too brittle, in spite of their other excellent qualities at high temperatures, and partly because the development of cooling techniques has moderated the increase in operating temperatures for the turbine rotor.

Titanium, as an alloying ingredient as well as a sintered carbide, can improve performance at high temperatures; it is a significant element in most of the latest alloys. But as an engineering metal for aircraft, titanium is only a medium-weight, medium-temperature performer, and the extent to which it will be required for aircraft now on the drawing board is a matter for conjecture—and for some controversy. It is being used extensively in the axial compressors of the latest American gas turbines, in stages where light alloys will not stand the temperature and stainless steel, which will, weighs more than the designer will accept. Stainless steel is still accepted by most British designers—partly because British turbines are still slightly more efficient, and partly because American aircraft, type for type, are considerably heavier, and the American designer is therefore prepared to pay more for critical reductions in weight; the payment being possibly in performance, and certainly in money, since titanium-rich alloys cost perhaps 40 times as much as stainless steel. The second role for titanium in military aircraft may be less open to dispute if more remote in time; at speeds of Mach 1.5 to Mach 3 (see glossary), where the airframe skin temperature may reach 250 degrees Centigrade, titanium may replace the really light alloys.



High Duty Alloys' 12,000 ton forging press.

There remain elements of conjecture, therefore, in the demand for titanium for British aircraft. The plant now under construction by Imperial Chemical Industries will offer 1,500 tons of titanium sponge a year by about 1956, against an American output by that time of possibly 20,000 tons or more of finished titanium products (which represent about 60 per cent of sponge output by weight). Within the industry some concern is occasionally expressed over Britain's becoming dependent, for a metal that is so difficult to produce, on only one major plant; but not many people seem afraid that the actual volume of output will be insufficient.

Flying Saucers and the Sound Barrier

A NEW folk'ore has grown up around the aircraft industry. The gremlins of a generation ago have all but died out; some, so it is said, can still be found lurking in elderly service aircraft but the breed has generally failed to survive in a jet environment. They have given place to sonic bangs from the broken sound barrier; to the heat barrier; and to flying saucers with their space crews. Each of the new legends has a foundation of fact. The sound barrier is not the impenetrable wall of compressed sound waves it was once thought to be. There are special stresses and shock waves that make flying conditions particularly unpleasant and dangerous in the region of the "sound barrier" (more correctly, the trans-sonic zone: see glossary), but they are not by any means impossible.

Scientists are sceptical about the amount of damage that can be caused by a single sonic bang. The shock waves that create it have travelled a considerable distance before they

hit the ground and have lost much of their force. The Ministry of Supply has made some small *ex gratia* payments when damage has been claimed, but without admitting any liability. But if and when aircraft fly at supersonic speeds in level flight, and at low altitude—as the new P.1 fighter might do—then scientists talk of the shock waves spreading out cone-wise around it and raking the ground under its path. The damage caused could be considerable. Low-level test flying of these aircraft may have to take place well out to sea and there has been some suggestion that the use of these shock waves as a weapon deserves study.

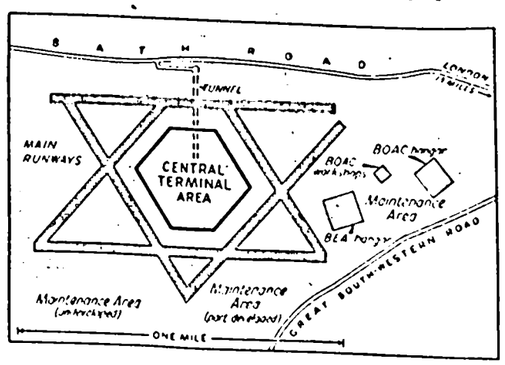
The heat barrier—the point where heat engendered by friction begins to melt the aircraft—has also a basis in fact. In the speed range between twice and three times that of sound (1,500 to 2,300 mph) heat friction will be such that designers will have progressively to provide refrigeration for the pilot (at present they are heating his cabin), to make increasing allowance for the effect of surface heat on the materials of which the aircraft is built, and finally to discard conventional construction materials altogether.

Most flying saucers turn out to be either meteorological balloons or tricks of light. For one or two, no explanation exists. It is technically possible to build a saucer-shaped aircraft, and one is under development in Canada but has not yet flown. It is also technically possible to build a space station, a satellite planet to circle the earth in its own artificial, eternal orbit. In the United States there is some pressure on the government to undertake a project of this kind, in spite of its exorbitant cost in scientific man-power. Some scientists speculate on whether the Soviet Union might not be undertaking something along these lines, and add to the store of folk lore by asking whether the occasional flying saucer is not a Russian technician who has missed his bearings on the return to earth.

The Expense of Airports

AIRPORTS represent the fixed assets of the air transport industry. There are 30 in this country that are controlled, maintained, and paid for by the Government; their annual cost—without making any allowance for either depreciation or capital charges—works out at between £3.5 and £4 million a year. Their revenue in this present financial year, mainly from landing fees, rents and the sale of concessions, is put provisionally at £3 million, including £500,000 from sales of aircraft and buildings, but neither costs nor revenue can be accurately predicted. At the present time, it is believed that a deficit of £500,000 a year is being incurred on airfield operations, excluding technical services—a big improvement since the days in 1948-49 when the airports were losing double this sum. In the foreseeable future, the Ministry of Transport may yet break even on its airport operations. It will certainly break even very soon at London Airport.

Up to the end of March, £19 million had been spent at London Airport in providing the bare essentials for efficient handling of international traffic; it will take a total of £26 million to complete the project. Present running costs are put at £900,000 a year, and income at £840,000: there is not much doubt that, unless there is a sudden drop in traffic, income will soon outstrip current expenses. What it may never do is to provide any margin for the service of the immense capital sums sunk in the airport. These have to be debited to the invisible, inassessable, but real amount of extra business brought into the country by the airlines. Most of the capital so far spent has gone on providing the three pairs of parallel runways and their approaches that give London its characteristic star shape, and make take-off and landing possible whatever the direction of the wind. In proportion,

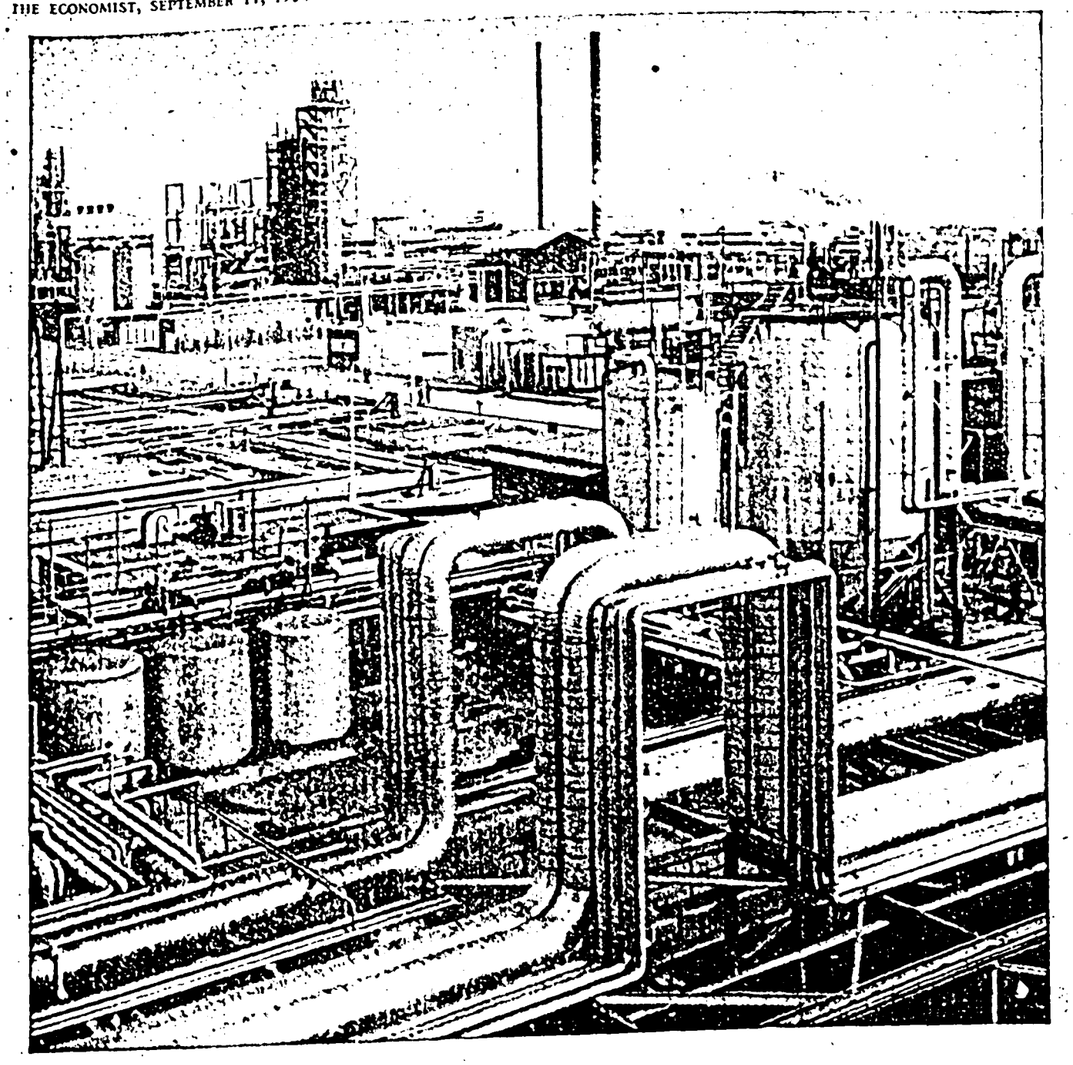


the cost of essential navigational lighting systems, radio communication and even radar equipment, is small, although the manning of these technical aids accounts for a big part of the airport's running costs. From the pilot's point of view, London is probably the best equipped airport in the world. Its radar cover is certainly the most comprehensive, with high-altitude radar covering a 150-mile radius, short-range (15 mile) radar for controlling the approach of an aircraft to the runway and a new low-level set (just being installed) to monitor the movement of the aircraft on the ground. It is an important factor in safety, but it also makes for efficient control and cuts down congestion in the air above the airport.

The next stage is to provide some of the amenities that have so far been conspicuously absent. The central terminal area, which will hold the permanent control tower and the passenger handling buildings, is now being developed; the tunnel leading to it is already finished. Rents and concessions in this area will bring in fresh revenue, but the airport authorities are also out to induce as many international operators as they can to make London their European headquarters. The importance of rents is shown in the Ministry's estimated revenue from airports. Landing fees for the coming year are put at £1.3 million, rents and concessions and services to tenants at £1.2 million, a proportion of which will be paid in dollars. There is no reason any longer to believe the designers of London airport set their sights too high. The increase in traffic is rapidly catching up with their plans, and it is becoming apparent that if air transport is to continue to flow smoothly, this is the order of investment needed in any big international airport.

The Investors' Assessment

OVER the last three years aircraft shares have been gaining in status in the eyes of investors. Those long lean years between the wars, when public policy had turned its back on military aircraft, seem to have been forgotten. Perhaps some of the speculative prizes of the prewar years,



Aluminium Paste for Paint

The new Coryton Oil Refinery of the Vacuum Oil Company is an outstanding example of the large-scale industrial use of aluminium paint. BA Aluminium Paste was used by the Indestructible Paint Co. Ltd., for the aluminium paint applied to the many complicated structures at this Refinery.

Aluminium paint is particularly suitable for such applications since, besides providing a clean, attractive and protective coating, its high heat reflectivity reduces losses by evaporation.

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MORE POWER AT LOWER COST

The Eland is a propeller-turbine aero-engine designed for use with a single rotation propeller. It is light in relation to its power and its fuel consumption is extremely low. The small cowled diameter of the Eland (36" for 3,000 e.h.p.) gives it a very high aerodynamic efficiency.

All these factors make the Eland an engine of unusual interest to operators, and a fine example of the Napier principle: more power at lower cost.

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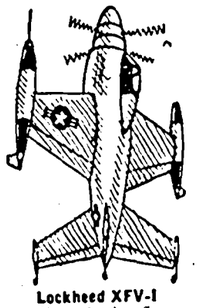
Partners in Progress with The ENGLISH ELECTRIC Company Ltd.

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CNC1

for investors who were lucky enough to pick out a depressed company just on the point of developing a successful aircraft, have also vanished. But recently the investor in aircraft shares has not done badly. A steady demand for military aircraft now gives a solid backbone to the industry and attractive possibilities for selling civil aircraft for export adds the speculative spice. An important export business is being built up. The very fact of the formation of Air Finance with the best City backing (Finance Corporation for Industry stands behind it to the extent of £10 million) provides a hall mark of respectability.

The imagination of investors has now been fired. The market had a recent example when a BBC feature depicting Folland Aircraft and the Gnat brought a host of small buying orders for Folland shares into the market. That and hopes of a Nato order for the Gnat have more to do with the rise in the Folland 10s. shares to 22s. 6d. than the rumours (on which the market at present places no reliance) of a merger involving the company. The yield obtainable from leading aircraft shares has now shrunk to a fraction over 4 per cent, a figure which not only shows them to be popular with the investing public, but also suggests that the scope for further advance must be limited.



Lockheed XFV-1
Vertical take-off.

The capitalisation of the industry has, however, been growing with its profits. No less than 7 leading aircraft companies including Hawker Siddeley, Rolls-Royce and Vickers have expanded their capital during the last three years, generally on terms advantageous to existing shareholders, and more capital may still be needed. Earnings have also been expanding in the latest accounting periods. It is still a growing industry and there is no reason to assume that the expansion has reached its limits yet. But it is advisable to remember that present share prices discount considerable further growth.

Vocabulary of Speed

The language of speed has many of the features of a rapidly changing patois to which advances in technology are constantly adding new words and phrases and giving familiar terms new and unfamiliar meanings. The following glossary is designed for the layman who wants to keep aerodynamically up to date without the necessity of becoming deeply involved in technicalities.

Aircraft Types

Bomber, light. To be used mainly for attacking enemy supply lines and rear installations in support of ground troops, e.g., *Canberra.* Not to be confused with fighter-bomber. Cost £100,000.

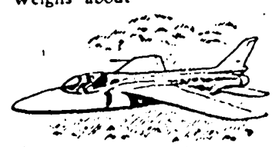
Bomber, medium. Effective over a range of 3,000 miles, e.g., *Vickers Valiant.* Previously described as long-range or heavy. Cost £400,000 to £600,000 according to size and range.

Bomber, long-range or inter-continental. Range of approximately 6,000 miles, e.g., American ten-engined *B 36.*

Fighter. Basic day interceptor capable of sonic or supersonic speeds (see speed). At this stage, not radar-equipped. E.g., *Swift, Hunter.* Cost £70,000.

Fighter, light. Broadly defined as a stripped-down version of current standard day fighters, where the elimination of some equipment, range or armament makes it possible to reduce the size, weight and cost of the fighter compared with a standard machine. The term "light" is relative. E.g.,

Fighter, light British. Weighs about 6,000 lb compared with 16,000 lb for a Swift or Hunter. E.g., Folland *Gnat.* Fewer radio channels. Two cannon against four. Cost £25,000.



Folland Gnat
All-flying tail low position. See also P.1.

Fighter, light United States. Weighs about 16,000 lb compared with 20,000 lb for North American *Sabre* and about 30,000 lb for *Super-Sabre.* Several under development.

Fighter, ground-attack. Armoured version of a day fighter with modified sighting equipment for attacking ground targets. Usual armament is rocket and bombs. In some countries, e.g., France, special aircraft for ground attack duties only have been developed.

Fighter, all - weather. Equipped with search radar for locating enemy aircraft at great altitude at night, in cloud, or in any other condition where normal visual interception is not possible. E.g., Gloster *Javelin.* Cost £120,000.



English Electric P.1

Fighter, vertical take-off. Designed to take off and land vertically or almost vertically without a runway. See illustration. Sometimes launched from a ramp. Strictly experimental.

Altitude

High. Now considered to be in the region of 12 miles, between 60,000 and 70,000 feet. Previously only 8 miles or 40,000 feet. Still rising.

Drag. The resistance of the air to the passage of the aircraft.

Engines

Jet. A basically simple engine of three stages; a compressor to compress the air; a combustion chamber in which the compressed air is burnt with fuel; and a turbine in which the hot combustion gases are expanded. Drive comes from the force of the gases in the jet-pipe. Power measured in pounds thrust. Derivatives are:—

By-pass. Potentially the most important advance since the jet was developed. Consists of a compressor placed ahead of the main engine that feeds some partially compressed air into the engine, spills the rest round the outside of the engine into the jet pipe. Here it mixes with the hot jet gases, slows them down so that less thrust is wasted in the air outside the jet-pipe. Gives a big increase in power for lower fuel consumption. E.g., Rolls-Royce *Conway.*

Ram-jet. Dispenses with compressor and turbine. Known as "flying stove-pipe." Works only at ultra-high speeds where the engine moves so rapidly that the air is "rammed" into it and automatically compressed. Used experimentally for some aircraft, and in miniature on the tips of helicopter rotors. Needs auxiliary power to bring aircraft to speed at which ram-jet can begin to function.

Turbo-prop. The jet turbine is used to drive a conventional propeller through reduction gearing. Power measured in horse-power plus some residual jet thrust. Engines are sometimes *coupled.*

Turbo-compound; piston compound. A combination of gas turbine and reciprocating engine. Early American versions use the residual exhaust heat from a piston engine to drive a small turbine. Later British versions link a full-scale diesel and gas turbine unit, and draw off the diesel exhaust at a point where it gives the most power to the gas turbine. Great fuel economy.

Rocket. Works on chemical fuels. These are pumped into reaction chambers, and the drive comes from the force of the subsequent chemical re-

action. Rocket motors do not need atmospheric oxygen, although they frequently carry liquid oxygen, and rocket power is, unlike jet power, effective in outer space.

Fuel

Aviation gasoline. For piston engines. In the region of 130 octane; high grade petrol plus exceedingly light oil fractions.

Turbine fuel, civil. Kerosine.

Turbine fuel, military. A combination of kerosine and low grade petrol. Known as "wide cut" fuel. Used not for technical reasons but because the amount of kerosine contained in every ton of crude oil is limited, and serious shortage would occur in wartime.

Rocket fuels. Various chemicals. Industrial alcohol, hydrogen peroxide, liquid oxygen, etc.

Speed

Mach number. The principal measure of speed. The speed of the aircraft divided by the speed of sound. When both are equal, the aircraft is flying at Mach 1. At Mach 0.9 the aircraft is at less than the speed of sound; at Mach 2, at twice the speed of sound.

Speed of sound. At sea level, 760 miles an hour, falling roughly 2½ miles an hour with every 1,000 feet of altitude up to 36,000 ft.

Trans-sonic. An important range of speed that begins at about Mach 0.9 when some of the air flowing over the wings reaches sonic speed and ends in the region of Mach 1.2 to 1.8 (depending on design) when all the air passing over the aircraft has reached sonic speed. Flying conditions in this region are comparatively difficult.

Super-sonic. Reserved for speeds above that of sound; "sonic" being applied to flight at the speed of sound.

Tails

A tail provides the rudder for an aircraft on the upright fin. Elevators on the horizontal fins damp out pitching and oscillations that would otherwise happen at high speeds, and give control during take-off and landing. At high speed the air is violently disturbed as it flows over the front of the aircraft; by the time it reaches the tail, it is turbulent and liable to put great strain on tail members. On multi-engined jet aircraft the horizontal tail must also be placed away from the jet blast.

All-flying tail. Very new. Essential on a modern high-speed fighter. In the trans-sonic region the high speed airflow and shock waves on the tail set up pressure changes that severely reduce the effectiveness of the tail as a control. If the whole horizontal fin is made moveable, and not only a small part of its rear section, these pressure changes are made more manageable. The effects of high-speed flying also explain why some of the horizontal fins on modern fighters are placed low down on the fuselage. See illustration—English Electric *P.1.* Folland *Gnat.*



Butterfly Tail

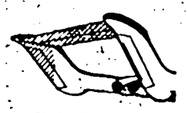
Butterfly tail is a device to save weight. The elevators on the two fins do the work of a rudder. Not widely used.

A high tail is used to lift the horizontal fins clear of the turbulent air from the body of the aircraft. Size of any tail can be reduced, the further the elevators are carried from the aircraft's centre of gravity. They become more effective as the distance increases. The upright fin has to be unusually strong to carry the weight and stress. See illustration. Handley Page *Victor;* Gloster *Javelin.*



High Tail

Twin-boom tails are used to place the tail at a reasonable working distance from the aircraft's centre of gravity without having the extra weight of a long fuselage and jet-pipe. See illustration. Widely used by de Havilland company.



Twin-boom Tail

Tailless. Aircraft carries the elevators on the wing, and has no horizontal fins. Saves weight and structural stiffening. A delta wing makes this possible. See illustration Avro *Vulcan.*

Weapons

Atomic. Principally bombs dropped from great heights (see altitude) and homed on to their target.

Cannon high-explosive. Modern British fighters are armed with cannon firing high explosive shells. Latest mark is 30 mm. *Aden* on *Hunter* and *Swift.*

Guided. Containing electronic control mechanisms, designed to seek out the target. Capable of altering course during flight.

Pilotless aircraft. An unmanned missile flying on a pre-set course. Lacks the flexibility of a guided weapon.

Rocket. Small rockets are used as armament for fighters. Guided weapons frequently but not inevitably use rocket power.

Wings

Swept. Used only for high-speed aircraft. Intended to reduce drag at high (trans-sonic) speeds by postponing the time when the flow of air over the wing reaches sonic speed. Harder to handle at low speed than a straight wing. There are many variants:

Delta. A swept wing filled into a solid triangle. Gives great strength, and provides fuel tankage that would otherwise have to go in a bigger fuselage. E.g., Avro *Vulcan,* Gloster *Javelin.*

Crescent; cranked. Swept at the root of the wing to reduce drag caused by thick wingroot, but straightened and thinned at the tip to improve handling at low speed. E.g., Vickers *Valiant;* Handley Page *Victor.*

Variable sweep. After take-off with wings only partially swept, means are provided to sweep them back more sharply in flight. Strictly experimental.

Aeroisoclinic. Design to reduce the twisting that occurs when a thin swept wing is flexed or bent. Can usefully be combined with all-moving tip controls. Short *Sherpa.*



தமிழ்நாடு அலுவலகப்பதி நூலகம்,
எழும்பூர், சென்னை-600 008.

அனுப்பினார்.

சே என்: 16672 ப. என்: X-56/1972

அனுப்பிய நாள். (1)	திரும்பிய நாள். (2)	வழங்கிய நாள். (1)	திரும்பிய நாள். (2)

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